INVESTMENT SASKATCHEWAN • 2004 FINANCIAL RESULTS

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Letter of Transmittal

Regina, Saskatchewan
March 31, 2005

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of Investment Saskatchewan Inc., for the year ended December 31, 2004 in accordance with **The Crown Corporations Act, 1993**. The Consolidated and Non-Consolidated Financial Statements included in this annual report are in the form approved by the Treasury Board and have been reported on by our auditors.

Respectfully submitted,

Eric Cline, Q.C.
Minister Responsible for Investment Saskatchewan Inc.

Letter from the Chair

This report represents the first full year of operations for Investment Saskatchewan Inc. as a stand-alone entity. Organizations often need time to prepare themselves for the challenges ahead. For Investment Saskatchewan, 2004 was one of those years.

One of the early challenges faced by Investment Saskatchewan was the recruitment of key management personnel. Ms. Janet Wightman was hired as the Corporation's first President and Chief Executive Officer in May, and later Ms. Laurie Powers was added as Chief Financial Officer. Under the Board's direction, management has developed strategic and operational plans. We are confident in the direction and leadership that is being put in place, and with the ongoing corporatization of Investment Saskatchewan.

In 2004, the Corporation separated itself physically from Crown Investments Corporation by moving into new premises. Investment Saskatchewan is now a stand-alone company with a distinct brand and identity.

On a non-consolidated basis, in 2004 the Corporation realized net earnings of $19.3 million, a year-end cash position of $168.0 million and an asset base of $629.0 million. The Corporation's strong performance reflects the contributions made by five of our six major investments to net income. Financial results are provided in this report on a consolidated and non-consolidated basis to provide a more thorough understanding of Investment Saskatchewan, its results, and the different relationships we maintain with our investees.

On behalf of the Board of Directors, it has been our pleasure to have directed activities aimed at making the Corporation fully functional. The Corporation's successes in 2004 are many, and they have flowed from the leadership, confidence and dedication of senior management and every employee within the Company.

With continued earnings and cash flow, our energy and focus in 2005 will be on new deal development and optimization of the portfolio value. Investment Saskatchewan will adopt clear measures of success in the competitive investment community that will include quality deal flow, new investment and new growth for Saskatchewan.

Investment Saskatchewan has a clear mandate. With strong fundamentals in place – the resources, investment strategies, and professionals – we will be a valued contributor to economic development in Saskatchewan, and thereby fufill our shareholder's expectations.

Maurice Delage
Chair

INVESTMENT SASKATCHEWAN • 2004 FINANCIAL RESULTS

Management's Discussion & Analysis

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Introduction

Management has included two sets of audited financial statements in this annual report. To assist readers in assessing the results of Investment Saskatchewan as a consolidated entity, management has included audited consolidated financial statements in accordance with Canadian generally accepted accounting principles which include Investment Saskatchewan's interests in the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures in addition to those of the Investment Saskatchewan legal entity.

In order for readers to assess the results of the Investment Saskatchewan legal entity alone, management has also included audited non-consolidated financial statements, whereby the specific assets, liabilities, revenues, expenses, cash flows and significant note disclosures of subsidiaries and joint ventures are not included. The non-consolidated financial statements include the subsidiaries and joint ventures using the equity method of accounting.

The non-consolidated financial statements are particularly relevant since Investment Saskatchewan management is not involved in the day to day activities of the operating entities contained in the consolidated financial statements. The level of involvement in directing and influencing investment operations is commensurate with the nature and size of the investment. Influence, and in some cases, control of individual investments is exercised through appropriate Board representation and agreements related to the investment. Investment Saskatchewan measures returns from investments through its share of investment earnings or losses, dividends, loan repayments, and the increase or decrease in the value of the investments. The Corporation also safeguards its assets and manages its expenses, liabilities and cash flows.

The MD&A has also been prepared on both a consolidated and non-consolidated basis, corresponding with the two sets of audited financial statements presented.

Corporate Background

Investment Saskatchewan Inc. is a designated subsidiary crown corporation under *The Crown Corporations Act, 1993* and an incorporated entity under the *Saskatchewan Business Corporations Act.* Formerly known as CIC Industrial Interests Inc. (CIC III), Investment Saskatchewan was established as a stand-alone entity in September 2003, wholly owned by the Crown Investments Corporation of Saskatchewan. The Corporation's current mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing and to prudently manage portfolios of commercially viable investments.

Forward-Looking Information

Many sections of the MD&A contain forward-looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

Balanced Scorecard

Investment Saskatchewan uses an annual performance management model which begins with the Board of Directors and includes the involvement of all employees. The Balanced Scorecard is the framework used by the organization to set objectives and measure overall business performance.

Realistic expectations, a limited number of priority areas, and clear measurement were identified by the Board of Directors as critical early in the development of Investment Saskatchewan. For 2005, the Corporation has further refined and improved the measures by which success will be defined. Some categories and targets remain unaltered, others have been adapted to better match the direction of the Corporation in its current state of evolution, and others have been eliminated. Although we recognize that year-over-year comparisons for some targets will be difficult, Investment Saskatchewan is committed to developing targets that best reflect the mandate and activity of the Corporation.

Customer and Stakeholder

Objectives	Measures	2004 Actual	2004 Target
Continuing improvements to accountability and public reporting	Significant Transactions reported within 90 days	None required	100% of significant transaction reports filed within the time frame
	Crown and Central Agencies Committee	Returned to Minister within target	One month turnaround on all undertakings given to the Committee
	Investment newsletter circulated to target market and available to general public	Newsletter discontinued	A minimum of two newsletters per year
Increased public support for the role of government in investment in the economy	# of individuals reached with positive message about overall investment track record	No outreach sessions in 2004	400
	Positive approval rating from stakeholders and target market	Bench-marking deferred	Bench-marking Q1 2004
Public and target market awareness	Awareness of Investment Saskatchewan by the business community	Corporate identity launch - Feb. 2004. Be-ch-marking deferred	Bench-marking 2004
Investee/Client/Partner satisfaction	Awareness of Investment Saskatchewan by the general public	Corporate identity launch - Feb. 2004. Bench-marking deferred	Bench-marking 2004
	Positive approval rating by clients, investees and partners	Survey deferred	77%

While no outreach sessions were held in 2004, the Corporation undertook several other initiatives to enhance public support of the role of government investment in the economy. These initiatives included the quarterly and annual report release, Saskatchewan Impacts of Investee Companies fact sheet, the Investment Future Forum, a new brochure and corporate website. As the Corporation was transitioning to a stand-alone entity in 2004, bench-marking in a number of areas was deferred.

Financial

Objectives	Measures	2004 Actual	2004 Target
Generate dividends of $50 million and cash flow of $60 million over 2004-2007 period	Dividend to CIC	$42.3 M (accrued)	nil
New investment of $50 million per year, while maintaining dividend and cash flow to the shareholder, and positive income and cash flow to Investment Saskatchewan	New Investment	$9.8 M	$50.0 M
	Net Income	$19.3 M	$31.5 M
	Cash - end of year	$168.0 M	$1.1 M

Five of six major investments experienced stronger financial returns than targeted. Significantly higher than targeted payments from HARO positively impacted the Corporation's ability to declare a dividend, its net income and its cash balance. Unplanned provisions and writedowns more than offset the other favorable factors impacting net income. Suitable opportunities did not arise to utilize the $50 million investment allocation for 2004.

Public Policy

Objectives	Measures	2004 Actual	2004 Target
Increased amount of private investment capital available in Saskatchewan	Private sector capital levered $1.5 per $1.0 of direct investment by IS	1:.8	>1:1.5
	Private sector capital levered $2.0 per $1.0 of investment in funds by IS	1:2	>1:2
	Private sector capital levered through Investment Management Company (IMC) growth in funds under management	IMC not created in 2004	To be developed
Environmental protection	Environmental reviews part of investment decisions	None required	All
	External review of environmental monitoring, regulatory compliance and protection practices of at least one major investment	0	1
Skills training and development	Support of Centennial Student Program	2	Not specified
	Support of post-secondary cooperative work study programs	0	Not specified
	Support of youth initiative	Crown Youth Initiative Programs not available until 2005	
Representative workforce	Women in under represented categories (Human Rights Goal: 45%)	55.6%	40%
	Aboriginal (Human Rights Goal: 12.8%)	5.6%	5%
	People with disabilities (Human Rights Goal: 9.7%)	5.6%	5%
	Visible minorities	0%	0%

As new investments in 2004 were add-ons to existing investments, the amount of private sector capital that could be levered was constrained by existing partnership arrangements. The development of an IMC was advanced in 2004 but progressed slower than originally planned.

Innovation and Growth

Objectives	Measures	2004 Actual	2004 Target
Commmitment to leading practices in organizational and employee development	Satisfaction level by employee survey	65.82%*	85%
	Training dollars as a percent of payroll	1.19%	3.0%
	Wellness program	Not developed	To be developed
Commitment to business development in the Province	Investment Future Forum participant - Satisfaction level - Investees funded or in discussions	 3.75/5 <50%	 4.50/5 >50%
	Sponsorship of industry conferences and tradeshows	4 provincial +2 western Canada +1 International	5 provincial +2 western Canada
Commitment to community development	Sponsorship of community events	7	2

As a result of the uncertainty inherent with significant organizational change, employee satisfaction and training were lower than targeted. The wellness program was not completed until the first quarter of 2005.

* new baseline established

Customer and Stakeholder

Objectives	Measures	2005 Target
To achieve a high level of investee and partner satisfaction	Positive approval rating by investees/partners	80%
To lead in accountability and public reporting	Compliance with reporting requirements	100%
To protect personal and sensitive commercial information	Implementation and compliance with privacy plan	Complete action plan

Financial

Objectives	Measures	2005 Target
To generate an appropriate return to the stakeholder	Dividend to CIC	nil
	Net Income	$14.1 M
	Cash provided from operating activities less net cash used in investing activities (non-consolidated)	$(25.2) M
	Self-supporting debt as a % of total debt (GRF debt)	100%
To earn a return on the new portfolio commensurate with risk	IRR – New portfolio*	20%
To maximize the performance of the existing portfolio relative to its original expectation of return	IRR – Existing portfolio*	3.2%
To grow the investments portfolio	$ new investments	$50 M

* over life of investment portfolio

Public Purpose

Objectives	Measures	2005 Target
To increase private sector capital invested in Saskatchewan	Ratio of IS:Partner capital invested	$1:$1.50
	# syndicate partners	6
To grow the private sector investment industry in Saskatchewan	# investment management companies in Saskatchewan	5
	$ under management by SK fund managers	$745 M
To protect the environment	Environmental reviews part of investment decisions	100%

Human Resources and Organization

Objectives	Measures	2005 Target
To operate with leading practices in organizational and employee development	Employee satisfaction	70%
	Training and development as % of salaries	3.0%
To support the training and development of new entrants to the labour force	Participation in student programs	2
To have a representative workforce	Women in non-traditional roles	50%
	Aboriginal people	10%
	People with disabilities	5%
	Visible minorities	5%

Investment Summary

rofiles for major investments are provided to allow readers to gain a sense of those significant entities that have been included in both the consolidated and non-consolidated financial statements.

HARO FINANCIAL CORPORATION (HARO)

HARO is a Regina-based company created to acquire an ownership interest in Crown Life Insurance Company (Crown Life). Investment Saskatchewan Inc. owns 68 million non-voting, common shares of HARO at a cost of $68.0 million, and has a term loan to HARO totaling $15.4 million. Deferred interest is carried at $185.2 million. HARO holds a 65.2% ownership interest in Crown Life. In January 1999, Crown Life sold substantially all of its insurance business to The Canada Life Assurance Company (Canada Life). The sale process was delayed with the acquisition of Canada Life by Great West Lifeco. In 2000, Crown Life repurchased all of the common shares not owned by their two major shareholders, HARO and Extendicare. As a result, Crown Life is no longer a publicly traded company.

2004 Results

- On March 31, 2004, a $44.8 million dividend was declared and paid by Crown Life. HARO's pro-rata share of the dividend is supported by indemnities provided by HARO/Investment Saskatchewan to the amount of its pro-rata share of the dividend plus 10%. These indemnities provide that Investment Saskatchewan/HARO will return to Crown Life any dividends received pending negative judgments in legal action against Crown Life. Currently, Investment Saskatchewan expects no call on this indemnity. Supported by its ownership of Crown Life, HARO received 65.2% of the dividend ($29.2 million) all of which was transferred to Investment Saskatchewan as a loan payment.
- On December 15, 2004, an additional $192 million dividend was declared and paid by Crown Life. HARO received its 65.2% of the dividend ($125.3 million) all of which was transferred to Investment Saskatchewan as a loan payment.
- Investment Saskatchewan records interest income on the HARO loan when cash is received, based on a regular assessment of cash flows. The allocation between principal and interest based on this assessment totaled $123.6 million as a principal reduction and $30.9 million as interest income in 2004.
- Contribution to consolidated financial results:
  Revenue - $30.9 million (2003 - $nil)
  Earnings - $30.9 million (2003 - $nil)
  Assets - $83.4 million (2003 - $207.0 million)

Outlook

- Investment Saskatchewan, through HARO, expects to receive distributions from the final close of the Crown Life sale to Canada/Great West Lifeco and be fully repaid its original investment in 2006.

Key Factors Affecting Performance

- As HARO's only asset is Crown Life shares, financial performance is wholly dependent upon that of Crown Life.
- Crown Life's future performance will be largely affected by the outcome of outstanding litigation issues and the quantification of the unresolved litigation matters in Crown Life.

SASKFERCO PRODUCTS INC. (SASKFERCO)

Saskferco is a nitrogen-based fertilizer plant located near Belle Plaine with its head office in Regina. It produces an annual average of 45,000 tonnes of anhydrous ammonia for sale, 910,000 tonnes of granular urea and 230,000 tonnes of UAN, marketed in Canada and the northern and mid-west United States. Investment Saskatchewan Inc. holds a 49% voting interest in Saskferco, Mosaic I (Canada) Holdings ULC holds 50%, and Citibank Canada holds 1%. Saskferco has 142 permanent employees and 36 contract positions.

2004 Results

- Earnings were strong due to continued strong urea and ammonia prices.
- Contribution to consolidated financial results:
  Earnings - $19.7 million
  (2003 - $6.2 million)
  Assets - $136.6 million
  (2003 - $120.2 million)

Outlook

- Natural gas prices are expected to remain at current high levels.
- Fertilizer prices are expected to decline as the market reacts to new international production coming on stream in the 2004-06 period.
- High gas prices are expected to continue to put pressure on high cost North American producers resulting in more curtailment of production and permanent shutdowns.

Key Factors Affecting Performance

- Urea, UAN and ammonia market prices.
- Major input costs such as natural gas.
- U.S./Canada exchange rate.

BIG SKY FARMS INC. (BIG SKY)

Big Sky operates a number of large scale, three site, farrow-to-finish hog production facilities throughout Saskatchewan utilizing modern design and production methods. The company markets live hogs in Canada and the United States. Big Sky currently has a breeding herd of approximately 28,000 sows capable of producing 650,000 market hogs annually. Investment Saskatchewan Inc. has made equity investments in Big Sky totaling $15.5 million representing a 39.5% interest in the company (on a fully diluted basis). Big Sky has a total of 400 employees.

2004 Results

- Strong hog prices translated into positive income for Big Sky and significantly improved results in 2004 compared to 2003.
- The Canadian market continued to face ongoing issues with the U.S. In October, the U.S. imposed duties of 14.06% on hogs exported from Canada based on a preliminary ruling. Final ruling is expected in late spring of 2005.
- Contribution to consolidated financial results: Earnings (Loss) - $5.4 million including $2.5 million recovery from prior years (2003 - ($0.1 million)). Assets - $21.6 million (2003 - $16.5 million)

Outlook

- 2005 is expected to be a relatively good year for market hog producers resulting in another profitable year for Big Sky.
- The exchange rate will continue to put negative pressure on pricing.
- The Canadian hog market is particularly challenged by production outpacing the growth of slaughter capacity, which could lead to ongoing issues with the U.S.
- The effects of BSE on pork pricing cannot be predicted and the U.S. imposed duties, if upheld, could have a negative impact on the price of hogs.

Key Factors Affecting Performance

- Market hog prices.
- U.S./Canada exchange rate.
- Feed costs.
- Disease outbreaks.

MEADOW LAKE OSB LIMITED PARTNERSHIP (ML OSB)

ML OSB operates an oriented strand board (OSB) plant near the town of Meadow Lake, Saskatchewan. Investment Saskatchewan owns 24.98% of ML OSB, Tolko owns 75%, and Meadow Lake Tribal Council and North West Communities each own 0.01%. The plant has the capacity to produce 600 million square feet (3/8" basis) of OSB annually, using the wood resources from Meadow Lake and surrounding area. The plant operates 24 hours per day year-round and employs 125 people in the plant and contracts a further 16 people in the wood yard and 130 in woodland operations.

2004 Results

- ML OSB's revenues and earnings benefited from the exceptionally high OSB prices experienced during the first half of 2004. Pricing for OSB, as expected, began to weaken during the last half of the year as the supply/demand ratio in the industry began to shift.
- ML OSB continued to trend ahead of its budgeted start-up curve and produced more product than planned.
- Contribution to consolidated financial results:
  Earnings - $15.8 million (2003 - $3.0 million)
  Assets - $43.9 million (2003 - $30.6 million)

Outlook

- ML OSB is expected to reach full production capacity in 2005.
- Prices are expected to be lower in 2005 than those experienced in 2004.

Key Factors Affecting Performance

- Market OSB prices.
- U.S./Canadian dollar exchange rate.
- Input costs such as resin and wood (including stumpage and reforestation costs).

CENTENNIAL FOODS PARTNERSHIP (CENTENNIAL)

Centennial is a value added manufacturing and distribution business for meat, seafood and other related food products. Centennial has production locations in Saskatoon and Calgary as well as foodservice operations across western Canada. Centennial employs 150 people at the Saskatoon facility.

2004 Results

- Centennial continued to increase sales compared to 2003, and continued to focus on increasing production and sales from its cooked meats production facility in Calgary.
- Contribution to consolidated financial results:
  Revenue - $90.0 million (2003 - $80.3 million)
  Earnings - $1.9 million (2003 - $0.4 million)
  Assets - $34.9 million (2003 - $33.6 million)

Outlook

- Strong operating results are expected to continue.
- Centennial will continue focusing on increasing production and sales from its cooked meats production facility in Calgary.
- In spite of border challenges in the beef industry, Centennial will continue to increase its penetration into the U.S. market.

Key Factors Affecting Performance

- Commodity protein prices for beef in a tight supply environment.
- Export/import complexities due to BSE.
- Ability to manage cost pressures - success in executing strategy to generate profits from within.

MEADOW LAKE PULP LIMITED PARTNERSHIP (MLPLP)

MLPLP operates one of the world's first zero-effluent chemi-thermomechanical pulp (CTMP) mills. The mill has produced up to an annualized rate of 325,000 tonnes per year of chlorine-free hydrogen peroxide bleached CTMP. Investment Saskatchewan Inc. owns 50% of MLPLP with Millar Western Industries Ltd. holding the remaining 50%. The state-of-the-art, environmentally friendly mill is located near Meadow Lake and uses Saskatchewan aspen as the fibre source. MLPLP has 168 employees and provides an additional 245 jobs in the woodlands.

2004 Results

- MLPLP's performance was negatively impacted by the strong Canadian dollar. Pulp prices in U.S. dollars were higher in 2004 than in 2003, however when converted into Canadian dollars, pulp prices were actually lower. MLPLP operates a hedging program.
- MLPLP's production increased which reduced fixed costs on a per tonne basis helping to mitigate the impact of the lower pulp prices with higher sales volumes.
- Contribution to consolidated financial results:

  Revenue – $96.0 million (2003 – $94.5 million)

  (Loss) Earnings before provision – ($5.4 million) (2003 – $0.9 million)

  Assets – $131.9 million (2003 – $170.8 million)

  Provision for accounting purposes – $30 million (2003 – $nil)

Outlook

- Pulp prices are expected to strengthen from 2004 levels during the first half of 2005, however pulp prices are very volatile and are difficult to forecast.
- The exchange rate is expected to have an ongoing negative impact on Canadian producers.
- The future outlook for pulp prices and the strong Canadian dollar have caused uncertainty as to timing of future loan repayments. As a result, Investment Saskatchewan Inc. has taken a provision for accounting purposes of $30 million against its loans to MLPLP.

Key Factors Affecting Performance

- Market pulp prices.
- Industry demand/supply balance plays a role in capacity utilization rates of pulp mills.
- U.S./Canada exchange rate. Almost all pulp sales are in U.S. dollars.
- Input costs such as power, bleaching chemicals and wood (including stumpage and reforestation costs).

Key Accounting Estimates, Assumptions, and Policies

The Corporation prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) applied on a consistent basis. The non-consolidated financial statements have been prepared in accordance with Canadian GAAP except that the Corporation's investments, over which it is able to exercise control or joint control, are accounted for using the equity method. Under the equity method, the Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

The accounting policies are summarized in Note 2 to the accompanying consolidated and non-consolidated financial statements respectively. Those accounting policies and estimates of significance are highlighted below.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the carrying amounts of investments and revenue recognition. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

The Corporation will accrue a potential loss if it is probable and it can reasonably be estimated, based on information available at the time.

The consolidated financial statements include the accounts of Investment Saskatchewan and its subsidiaries.

CIC Foods Inc.

CIC FTLP Holdings Inc.

CIC FTMI Holdings Inc.

CIC OSB Products Inc.

CIC Pulp Ltd.

CIC PVF Holdings Inc.

CIC Swine Genetics Holdings Inc.

CIC WLSVF Holdings Inc.

Investment Saskatchewan Swine Inc. (formerly Genex Swine Group Inc.)

PCF Investments Ltd.

Saskatchewan Valley Potato Corporation

WTC Investments Ltd.

All material inter-company transactions are eliminated on consolidation.

The consolidated financial statements also include cost and equity based investments held by Investment Saskatchewan. Investments in the form of debentures, loans and other advances are recorded at cost. Where the Corporation has investments over which it exercises significant influence other than joint control, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable. Investments in properties held for sale are recorded at the lower of cost and net realizable value.

Where there has been a decline in the value of an investment that is not considered temporary, the investment is written down to its estimated fair value.

The consolidated financial statements include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses and cash flows of joint venture interests. The Corporation's share of jointly controlled enterprises is as follows:

Meadow Lake Pulp Limited Partnership	50%
Hypor LP	50%
Hypor B.V.	50%
Centennial Foods Partnership	35%
Foragen Technologies Limited Partnership	33%

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer. Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectability of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income. Cash received from HARO is allocated between principal and interest based on future cash flows.

Consolidated Financial Results and Discussion

Summary of Key Financial Results (consolidated): (for the year ended December 31) ($ millions)

	2004	2003
Net earnings	$ 19.3	$ 7.5
Total revenue	274.0	209.4
Total expenses	217.8	203.2
Provision for (recovery of) loan losses	33.9	(3.6)
Writedown of investments	3.0	2.3
Total investments	365.6	509.8
Due to Crown Investments Corporation of Saskatchewan (CIC)	–	190.2
Dividend to CIC	42.3	–

This section focuses on significant changes in Investment Saskatchewan's consolidated financial results for the year ended December 31, 2004 as compared to the year ended December 31, 2003 and should be read in conjunction with the audited consolidated financial statements included in this annual report.

Despite turmoil in the Canadian livestock and meat industries related to BSE, and the negative impacts of the rising Canadian dollar on certain investment operations, Investment Saskatchewan had $19.3 million in net earnings (2003 – $7.5 million). Year over year results increased largely due to higher earnings contributions from five of the Corporation's major investments. Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio.

Consolidated revenue was $274.0 million which was $64.6 million higher than 2003 consolidated revenue of $209.4 million. This was due to higher sales of products and services, and higher earnings from equity investments, and higher interest and other revenues.

Consolidated revenues from the sale of goods and services increased $8.9 million to $205.3 million (2003 – $196.4 million). Increased sales of goods and services at MLPLP and Centennial were the main contributors to these higher revenues. This favorable impact was partially offset by the negative impact of the rising Canadian dollar.

Consolidated interest and other revenues increased from $4.4 million in 2003 to $35.2 million in 2004. Interest revenue in 2004 included $30.9 million related to HARO loan repayments. No repayments were received from HARO in 2003.

Consolidated earnings from equity investments increased $22.8 million to $31.9 million (2003 – $9.1 million). ML OSB began operations in September 2003 and, despite being in the start-up phase, experienced favorable production volumes and record prices for oriented strand board allowing Investment Saskatchewan to record $15.8 million in earnings from this investment in 2004, its first full year of operation (2003 – $3.0 million).

Saskferco had strong earnings due to continued strong urea and ammonia prices, resulting in Investment Saskatchewan recording $19.7 million in earnings from this investment in 2004 (2003 – $6.2 million).

Strong hog prices translated into positive income for Big Sky in 2004 as well.

Non-recurring items include a gain on sale of investments of $1.7 million in 2004 versus a loss on sale of investments of $0.5 million in 2003. The 2004 gain related to the sale of one of Saskatchewan Valley Potato Corporation's bins while the 2003 loss related to the disposition of the Corporation's investment in Farmgro Organic Foods Inc.

Consolidated expenses increased $14.7 million to $217.9 million (2003 – $203.2 million). Cost of goods sold increased $14.2 million to $143.0 million (2003 – $128.8 million) due largely to higher sales volumes in Centennial Foods and MLPLP. Operating expenses increased $3.1 million to $60.9 million (2003 – $57.8 million) due primarily to higher pulp selling expenses and Investment Saskatchewan (legal entity) incurring a full year of its own administration costs. Prior to September 2003, administration costs were paid by CIC.

The Corporation recorded a provision for loan losses of $33.9 million in 2004 versus a recovery of loan losses of $3.6 million in 2003. Uncertainty in the pulp operations led the Corporation to take a provision on MLPLP of $30 million in 2004. While the Corporation will manage this investment like all others, in order to maximize its return, this provision was deemed appropriate. There were also $3.0 million in writedowns taken on other investments in 2004 versus $2.3 million in 2003.

The non-interest bearing advances due to CIC decreased by $190.2 million to $nil (2003 – $190.2 million). CIC was authorized, by Order in Council, to convert the advances due to CIC into common shares of Investment Saskatchewan. The conversion took place at $10 per share.

Consolidated long-term debt (net of sinking funds) was $55.0 million (2003 – $54.9 million), an increase of $0.1 million. Consolidated long-term debt due within one year was $5.4 million (2003 – $9.6 million), a decrease of $4.2 million.

Cash Flow Highlights
($millions)

	2004	2003
Cash from operating activities	$ 34.4	$ 0.5
Cash provided by (used in) investing activities	135.3	(23.7)
Cash (used in) provided by financing activities	(4.4)	30.3
Increase in cash position	165.4	7.1

Investment Saskatchewan finances capital requirements though internally generated cash flow, cash returns from investments and borrowings from the General Revenue Fund (GRF). Certain subsidiaries and joint ventures access financing through financial institutions. The GRF may borrow in capital markets on behalf of Investment Saskatchewan and has ample access to capital markets should any borrowing requirements arise.

Cash provided by operations was $34.4 million (2003 – $0.5 million). The $33.9 million increase from 2003 was primarily interest income from HARO of $30.9 million.

The Corporation received $135.3 million from investing activities in 2004 (2003 – used $23.7 million). Add-ons to existing investments in 2004 included a $3.5 million increase in the investment in Western Life Sciences Venture Fund; $1.5 million increase in the investment in Foragen Technologies Limited Partnership; $2.3 million increase in the investment in Hypor LP, $0.3 million increase in investment in Prairie Ventures Limited Partnership, and a $0.5 million portfolio loan per its original commitment to Pangaea Systems Inc. in the first quarter of 2004. The principal reduction from HARO totalling $123.6 million in 2004 generated the majority of cash from investing activities.

The Corporation used $4.4 million in cash from financing activities in 2004 (2003 – received $30.3 million).

Non-Consolidated Financial Results and Discussion

Summary of Key Financial Results (non-consolidated): (for the year ended December 31) ($ millions)

	2004	2003
Net earnings	$ 19.3	$ 7.5
Total revenue	60.6	6.6
Interest and other revenue	34.1	2.2
Earnings from investments - equity basis	26.5	4.9
Loss on sale of investments	–	0.5
Provision for (recovery of) loan losses	32.1	(4.9)
Writedown of investments	1.9	1.1
Total investments	458.8	605.0
Retained earnings	37.5	60.6
Dividend to CIC	42.3	–

This section focuses on significant changes in Investment Saskatchewan's non-consolidated financial results for the year ended December 31, 2004 as compared to the year ended December 31, 2003 and should be read in conjunction with the audited non-consolidated financial statements included in this annual report.

Despite turmoil in the Canadian livestock and meat industries related to BSE, and the negative impacts of the rising Canadian dollar on investment operations, Investment Saskatchewan recorded $19.3 million in net earnings (2003 – $7.5 million).

Non-consolidated revenue was $60.6 million which was $54.0 million higher than 2003 non-consolidated revenue of $6.6 million due to improved earnings from equity based investments and interest income from HARO.

Non-consolidated interest and other revenues increased from $2.2 million in 2003 to $34.1 million in 2004. Interest revenue in 2004 included $30.9 million related to HARO loan repayments. No repayments were received from HARO in 2003.

Non-consolidated earnings from equity based investments increased $21.6 million to $26.5 million (2003 – $4.9 million). Wide fluctuations in earnings from equity based investments demonstrate how Investment Saskatchewan's performance is closely tied to the performance of the underlying investment portfolio. ML OSB began operations in September 2003 and, despite being in the start-up phase, experienced favorable production volumes and record prices for oriented strand board allowing Investment Saskatchewan to record $15.8 million in earnings from the investment in CIC OSB Products Inc. for its first full year of operations (2003 – $3.0 million). The Corporation earned $1.9 million from CIC Foods Inc. in 2004 versus $0.4 million in 2003 mainly due to Centennial's higher sales volumes. An increase of $13.5 million in the Corporation's share of Saskferco's earnings over 2003 was earned due to strong urea and ammonia prices. The Corporation recognized losses of $5.4 million in 2004 from CIC Pulp Ltd. (before provision) versus $0.9 million in earnings in 2003 due to the negative impact of the rising Canadian dollar. The Corporation incurred $10.0 million in losses from fund investments due mainly to provisions taken on various underlying small

dollar value loans and portfolio investments (2003 – $4.1 million) as well as the impact of two of the significant funds changing from cost accounting to equity accounting.

Total non-consolidated expenses increased $4.3 million to $7.3 million (2003 – $3.0 million). Prior to September 2003, general administration expenses were paid by CIC. The variance is due to expenses paid directly by Investment Saskatchewan for the full year in 2004.

On a non-consolidated basis, the Corporation recorded a provision for loan losses of $32.1 million in 2004 versus a recovery of loan losses of $4.9 million in 2003. As previously indicated, the provision on MLPLP generated the bulk of the total provision. There was a $1.9 million writedown taken on the equity investment portfolio in 2004 versus a $1.1 million writedown in 2003.

The non-interest bearing advances due to CIC decreased by $190.2 million to $nil (2003 – $190.2 million). In 2004 CIC was authorized by Order in Council to convert the due to CIC into common shares of Investment Saskatchewan at $10 per share.

Non-consolidated long-term debt (net of sinking funds) was $15.1 million (2003 – $15.3 million).

Cash Flow Highlights
($millions)

	2004	2003
Cash provided by (used in) operating activities	$30.8	(0.9)
Cash provided by (used in) investing activities	134.1	(22.0)
Cash (used in) provided by financing activities	(0.2)	26.3
Increase in cash position	164.6	3.4

Investment Saskatchewan finances capital requirements through cash returns from investments and borrowings from the GRF. The GRF borrows in capital markets on behalf of all Crown corporations and has ample access to capital markets for any borrowing requirements.

Cash provided by operating activities was $30.8 million (2003 – used $0.9 million). The $31.7 million increase from 2003 was primarily due to interest income received from HARO totalling $30.9 million.

On a non-consolidated basis, the Corporation generated $134.1 million in cash related to net investing activities in 2004 (2003 – used $22.0 million). Investments made in 2004 included a $3.5 million increase in investment in Western Life Sciences Venture Fund, $1.5 million increase in the investment in Foragen Technologies Limited Partnership, $2.3 million increase in the investment in Hypor LP, $0.3 million increase in investment in Prairie Ventures Limited Partnership and $0.5 million portfolio loan to Pangaea Systems Inc. in the first quarter of 2004. The principal reduction from HARO totalling $123.6 million in 2004 generated the majority of the cash from investing activities.

The Corporation used $0.2 million in cash from financing activities (2003 – provided $26.3 million). Long-term debt was reduced by sinking fund earnings of $0.2 in 2004.

As at December 31, 2004 and as a result of the conversion of advances due to CIC to share capital, the Corporation is almost entirely equity financed. Long-term debt at December 31, 2004 consists of $15.1 million (net of sinking funds) due to the GRF. This debt is self-supporting since there is a high degree of certainty that the amount and timing of underlying investment cash flows will service this debt at maturity. As a Crown corporation separate from CIC, Investment Saskatchewan will actively manage cash flows and any borrowing requirements. In 2004, Investment Saskatchewan was self-supporting through cash flows from investments. However, due to the timing of cash receipts from investments versus new investment and operating expense funding requirements, the Corporation may periodically need to borrow funds.

Risk Management

Investments and related risks are diligently monitored on an ongoing basis by experienced investment managers with training and expertise in the industry, with periodic reporting and recommendations to the Executive and the Board of Directors on investment returns, risks and investment strategy including investment retention or sale. Investment Saskatchewan regularly assesses the appropriateness of the carrying value of investments, and writes down an investment if management determines that there is a decline in the value of an investment that is not considered temporary. In 2004, provisions and writedowns over $1 million were taken on each of three investments. Notwithstanding these provisions, management continues to strive to maximize the ultimate returns from these investments.

As part of routine operations, the Corporation reviews its risk management framework annually.

Outlook

Investment Saskatchewan's outlook related to investment values, earnings and cash flow performance, as well as dividend paying and self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio, particularly the six major investments.

The Corporation undertook valuation reviews quarterly in 2004 as well as an extensive annual valuation review of investments as at December 31, 2004 resulting in certain provisions being recorded. Management will continue quarterly valuations throughout 2005. In particular, management will be closely monitoring the impacts of BSE and market conditions in the beef, pork, and pulp industries for possible impairment of investments held in those sectors and will take provisions if required.

Investment Saskatchewan is cautiously optimistic that it will continue to be profitable in 2005, despite anticipated challenges faced by some investments.

Should suitable opportunities arise, Investment Saskatchewan forecasts making up to $50 million in investments in 2005.

Depending on receipt of cash flows from investments, in particular anticipated cash flows from HARO, and the timing of and value of investment opportunities, Investment Saskatchewan anticipates being self-supporting in cash requirements. Dividends to be declared to CIC in 2005 are dependent on these same factors.

INVESTMENT SASKATCHEWAN • 2004 FINANCIAL RESULTS

Consolidated Financial Statements

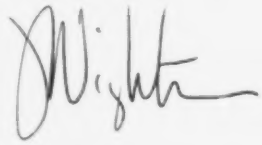
Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **Investment Saskatchewan Inc.** for the year ended December 31, 2004 are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

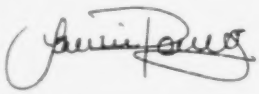
Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Finance Committee, consisting solely of outside directors, which meets periodically with management as well as with the external auditor, and the Provincial Auditor of Saskatchewan. The Audit and Finance Committee has met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Janet Wightman
President and CEO



Laurie Powers, CA
Chief Financial Officer

March 4, 2005

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the consolidated statement of financial position of **Investment Saskatchewan Inc.** as at December 31, 2004 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 4, 2005

Consolidated Statement of Financial Position

As at December 31
(thousands)

	2004	2003
ASSETS		
Current		
Cash and short-term investments (Note 3)	$ 173,333	$ 7,970
Interest and dividends receivable	1,645	1,188
Accounts receivable	24,948	24,737
Inventories (Note 4)	33,022	33,739
Prepaid expenses	2,149	2,383
	235,097	70,017
Investments (Note 5)	365,574	509,814
Property, plant and equipment (Note 6)	96,032	102,908
Other assets (Note 7)	8,202	8,510
	$ 704,905	$ 691,249
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness (Note 8)	$ 14,230	$ 13,395
Dividend payable to Crown Investments Corporation of Saskatchewan (CIC)	42,341	–
Due to CIC	–	190,194
Accounts payable and accrued liabilities	20,163	22,526
Long-term debt due within one year (Note 9)	5,423	9,582
	82,157	235,697
Long-term debt (Note 9)	55,015	54,940
	137,172	290,637
Shareholder's Equity		
Share capital (Note 10)	530,194	340,000
Retained earnings	37,539	60,612
	567,733	400,612
	$ 704,905	$ 691,249

Commitments and contingencies (Note 11)
(See accompanying notes)

On behalf of the Board:

Director _____ Director _____

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31

(thousands)

	2004	2003
REVENUES		
Sale of goods and services	$ 205,253	$ 196,376
Interest and other	35,170	4,449
Earnings from equity investments (Note 5(l))	31,855	9,085
Gain (loss) on sale of investments	1,690	(526)
	273,968	209,384
EXPENSES		
Cost of goods sold	143,060	128,839
Operating expenses	60,930	57,831
Amortization	7,697	8,723
Financing expense (Note 12)	6,181	7,855
	217,868	203,248
EARNINGS BEFORE THE FOLLOWING	56,100	6,136
Provision for (recovery of) loan losses (Note 5(n))	33,857	(3,649)
Writedown of investments (Note 5(o))	2,975	2,291
NET EARNINGS	19,268	7,494
RETAINED EARNINGS, BEGINNING OF YEAR	60,612	53,118
DIVIDEND TO CIC	42,341	–
RETAINED EARNINGS, END OF YEAR	$ 37,539	$ 60,612

(See accompanying notes)

Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands)

	2004	2003
OPERATING ACTIVITIES		
Net earnings	$ 19,268	$ 7,494
Dividends from equity investments	3,419	2,065
Items not affecting cash from operations (Note 13)	13,786	(1,762)
	36,473	7,797
Net change in non-cash working capital balances related to operations (Note 14)	(2,080)	(7,307)
Cash provided by operating activities	34,393	490
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments	143,801	10,365
Purchase of investments	(8,386)	(25,654)
Proceeds from sale of property, plant and equipment	2,398	429
Purchase of property, plant and equipment	(2,485)	(8,838)
Cash provided by (used) in investing activities	135,328	(23,698)
FINANCING ACTIVITIES		
Decrease in long-term debt	(5,447)	(5,255)
Increase in due to CIC	–	10,981
Proceeds from long-term debt	254	17,737
Increase in bank indebtedness	835	6,848
Cash (used in) provided by financing activities	(4,358)	30,311
INCREASE IN CASH POSITION	165,363	7,103
CASH POSITION, BEGINNING OF YEAR	7,970	867
CASH POSITION, END OF YEAR	$ 173,333	$ 7,970
COMPRISED OF:		
Cash	7,428	4,582
Short-term investments	165,905	3,388
	$ 173,333	$ 7,970
Supplementary cash flow information:		
Interest paid	$ 5,564	$ 4,732

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2004

1. The Corporation

Investment Saskatchewan Inc. (the Corporation) provides investment capital and financing, and prudently manages portfolios of commercially viable investments. The Corporation was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, which made effective **The Crown Corporation Amendment Regulations, 1993**, the Corporation was designated a subsidiary of CIC to which the provisions of **The Crown Corporations Act, 1993** apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain of the Corporation's investments are subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Subsidiaries

These consolidated financial statements include the accounts of Investment Saskatchewan Inc. and its subsidiaries:

CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics Holdings Inc.
CIC WLSVF Holdings Inc.
Investment Saskatchewan Swine Inc. (formerly Genex Swine Group Inc.)
PCF Investments Ltd.
Saskatchewan Valley Potato Corporation
WTC Investments Ltd.

All material inter-company transactions have been eliminated on consolidation.

Investments

These consolidated financial statements also include cost and equity based investments held by Investment Saskatchewan Inc. as described below.

Investments in the form of debentures, loans and other advances are recorded at cost.

Where the Corporation has investments over which it exercises significant influence other than joint control, the investments are accounted for using the equity method. The Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable.

December 31, 2004

2. **Summary of significant accounting policies (continued)**

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

Where there has been a decline in the value of a share investment that is not considered temporary, the investment is written down to its fair value.

Joint Ventures

The Corporation has accounted for its joint venture interests using the proportionate consolidation method. The consolidated financial statements therefore include the Corporation's proportionate share of the book value of the assets, liabilities, revenues, expenses, and cash flows of joint venture interests.

The Corporation's share of jointly controlled enterprises included in the consolidated financial statements is as follows:

Meadow Lake Pulp Limited Partnership (MLPLP)	50%
Hypor LP	50%
Hypor B.V.	50%
Centennial Foods Partnership (Centennial Foods)	35%
Foragen Technologies Limited Partnership (Foragen)	33%

Corporate Entity

Separate audited non-consolidated financial statements have been prepared to show the financial position, results of operations and cash flows for the Investment Saskatchewan Inc. corporate entity.

b) Fiscal year

These consolidated financial statements are presented as at December 31 and include the results of Centennial Foods Partnership as at its year end of October 31. All other investments are included as at December 31.

c) Inventories

Inventories are valued at the lower of cost, determined on a first in, first out basis, and net realizable value.

d) Property, plant and equipment

Property, plant and equipment is recorded at cost.

When property, plant and equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Consolidated Statement of Operations and Retained Earnings.

Amortization of property, plant and equipment is primarily recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Buildings	20 – 40 years
Equipment	5 – 25 years
Other	3 – 10 years

December 31, 2004

2. Summary of significant accounting policies (continued)

e) Sinking funds

Sinking funds are valued at cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

f) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The Corporation identifies goodwill impairment by comparing the fair value of its reporting units to their carrying amounts. Fair values of reporting units are calculated using industry specific valuation methods which include discounted cash flow, earnings multiple and market comparability approaches. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the Consolidated Statement of Operations and Retained Earnings before net earnings.

g) Revenue recognition

Revenue from the sale of products is recognized when goods are shipped and title has passed to the customer.

Revenue from the provision of services is recognized as the services are provided.

Interest earned on investments is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income. Cash received from HARO Financial Corporation (HARO) is allocated between principal and interest based on future cash flows.

h) Foreign currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in the Consolidated Statement of Operations and Retained Earnings.

The financial statements of the Corporation's foreign operations are translated using the current rate method, under which assets and liabilities are translated at the exchange rate prevailing at year end, and revenues and expenses at average exchange rates during the year.

December 31, 2004

2. **Summary of significant accounting policies (continued)**

i) Derivative financial instruments

In the ordinary course of business, the Corporation uses foreign currency financial instruments to manage its exposure to fluctuations in foreign exchange rates. When entered into, these financial instruments are designated as hedges of anticipated transactions. Under hedge accounting, gains or losses on such financial instruments are recorded in the same period as the underlying items hedged. The Corporation does not purchase financial instruments for trading or speculative hedging purposes.

j) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the carrying amounts of investments and revenue recognition. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

k) Impairment of long-lived assets

Effective January 1, 2004 the Corporation adopted the recommendations in section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets*. Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value. Prior to January 1, 2004, the amount of the loss was determined by deducting the asset's net recoverable amount, based on undiscounted net cash flows expected to be generated by the asset, from its carrying value.

Adopting this section had no impact on the Corporation's financial statements.

l) Asset retirement obligation

Effective January 1, 2004 the Corporation adopted the recommendations in section 3110 of the CICA Handbook, *Asset Retirement Obligations*. This section is effective for years beginning on or after January 1, 2004. The standard provides guidance on how to recognize and measure liabilities related to the legal obligations associated with the retirement of property, plant and equipment. Obligations are initially measured at fair value and are adjusted for any changes resulting from the passage of time and any changes to the timing or amount of the original estimate of undiscounted cash flows. The asset retirement cost is capitalized as part of the related asset and is amortized into earnings over the assets useful life.

Adopting this section has not had a material effect on the Corporation's financial statements.

December 31, 2004

3. Cash and short-term investments

The major components of cash and short-term investments are as follows:

(thousands)

	2004	2003
Cash on deposit	$ 7,428	$ 4,582
Bank term deposits, at rates of interest varying between 2.42% and 2.57% invested with the Province of Saskatchewan	165,905	3,388
	$ 173,333	$ 7,970

4. Inventories

(thousands)

	2004	2003
Raw materials	$ 6,009	$ 7,607
Finished goods	27,013	26,132
	$ 33,022	$ 33,739

December 31, 2004

5. Investments

(thousands)

	2004	2003
Debentures, loans and other advances		
HARO:		
Term loan (a)	$ **200,130**	$ 331,777
Interest receivable on term loan	**529**	6,099
Less: Deferred interest	**(185,211)**	(198,847)
	15,448	139,029
68,000,000 Class B non-voting common shares (b)	**68,000**	68,000
	83,448	207,029
MLPLP:		
Loans receivable (c)	**109,188**	109,188
Less: Provision for loan losses	**(90,000)**	(60,000)
	19,188	49,188
Other loans receivable:		
Loan principal receivable (d)	**25,137**	38,027
Lease options	**1,065**	1,328
Less: Provision for loan losses	**(12,286)**	(10,224)
	13,916	29,131
	116,552	285,348

December 31, 2004

5. Investments (continued)

	Percentage Ownership	2004	2003
Equity investments			
Saskferco Products Inc. (Saskferco) (e)	49.5%	**136,637**	120,188
Meadow Lake OSB Limited Partnership (ML OSB) (f)	25.0%	**43,940**	30,614
Big Sky Farms Inc. (Big Sky) (g)	39.5%	**21,649**	16,455
Prairie Ventures Limited Partnership (PVF) (h)	57.0%	**10,811**	10,131
Western Life Sciences Venture Fund Limited Partnership (WLSVF) (i)	20.1%	**2,768**	2,698
Other equity investments		**2,001**	6,647
		217,806	186,733
Portfolio investments			
Premium Brands Inc.		**12,188**	15,000
Primaxis Technology Ventures Incorporated		**5,000**	5,000
Other		**9,485**	11,611
		26,673	31,611
Property holdings (j)		**4,543**	6,122
		$ 365,574	$ 509,814

a) In 1992, the Corporation entered into a Term Loan Agreement with HARO. The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate (4.5 per cent) plus 1.0 per cent. For the third five-year term, the interest rate on the loan is 5.5 per cent compounded annually. Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2004 consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2004 is $185.2 million (2003 – $198.8 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval.

December 31, 2004

5. Investments (continued)

b) Ownership of 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

c) The Corporation has made the following loans to MLPLP:

- Participating Debenture of $79.5 million bearing interest at a fixed rate of 11.15 per cent, calculated on October 31 each year. Due to uncertainty of cash flows, an allowance for investment losses of $79.5 million (2003 – $60.0 million) related to the Participating Debenture has been recorded resulting in a net balance of $nil (2003 – $19.5 million).
- Term Loan ($10.0 million) bearing interest at prime plus 2 per cent, or 6.25 per cent at December 31, 2004 (2003 – 6.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Contingency Loan ($5.5 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance. Due to uncertainty of cash flows, an allowance for investment losses of $5.5 million (2003 – $nil) related to the Contingency Loan has been recorded resulting in a net balance of $nil (2003 – $5.5 million).
- Guarantee Advance ($4.0 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan ($5.2 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan ($5.0 million) bearing interest at prime plus 1 per cent, or 5.25 per cent at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance. Due to uncertainty of cash flows, an allowance for investment losses of $5.0 million (2003 – $nil) related to the Guarantee Loan has been recorded resulting in a net balance of $nil (2003 – $5.0 million).

The Corporation records, as a separate loan (Interest Loan), accrued interest receivable from the Participating Debenture totaling $241.3 million (2003 – $209.1 million). Interest on the Interest Loan at a fixed rate of 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection and is netted against the outstanding loan balance. Deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Guarantee Advance, Cash Flow Loan, Guarantee Loan and Interest Loan are subject to available cash flows as defined in the loan agreements. Payments toward principal outstanding on the Term Loan are due in two equal instalments after MLPLP has fully repaid an external loan.

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.63 per cent at December 31, 2004 (2003 – 2.62 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

December 31, 2004

5. Investments (continued)

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a provision of $30 million in the current year, against the carrying value of these loans, and believes its loans to MLPLP are properly valued as at December 31, 2004. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

d) As at December 31, 2004, the Corporation holds various other loans with interest rates ranging from 3.70 per cent to 15 per cent (2003 – prime plus 1.25 percent (5.75 per cent) to 15 per cent) and maturities extending from 2005 to 2017 (2003 – 2004 to 2021).

e) The Corporation holds 68,449,080 (2003 – 68,449,080) Class B common shares equivalent to a 49.5 per cent (2003 – 49.5 per cent) interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

During 2004, the Corporation converted $54.4 million of equity in Saskferco into subordinated notes. The Corporation received a $54.4 million dividend from Saskferco, which was immediately reinvested in the form of Class B subordinated notes due June 1, 2014. Interest is calculated at the CDOR rate on June 1 of each year and is receivable on May 31 of the following year. The Corporation's equity in Saskferco is $85.4 million and the remaining balance of the subordinated notes is $51.2 million.

f) The Corporation is a limited partner in ML OSB. ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds a 25.0 per cent interest in ML OSB (2003 – 25.0 per cent). The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The expiry date for 9,980,000 units is October 1, 2008 and the expiry date for 10,000,000 units is December 2011. If exercised, the Corporation's interest would be diluted to 6.8 per cent.

g) The Corporation holds a 39.5 per cent (2003 – 41.2 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. The Corporation holds 150,000 (2003 – 150,000) common shares and 3,750,000 (2003 – 3,750,000) convertible preferred shares, which entitle the Corporation to an annual cumulative dividend of 5.0 per cent to 2005, and a 10.0 per cent annual cumulative dividend thereafter. All cumulative preferential dividends to June 30, 2004 were paid to the Corporation and reinvested in a debenture. At December 31, 2004, the balance of the debenture is $2.9 million. The preferred shares may be converted to common shares, on a one-to-one basis, anytime in the first five years from date of issue ending in 2005. Furthermore, the preferred shares are retractable or redeemable starting in 2007. The Corporation holds options to acquire an additional 500,000 convertible voting preferred shares which expire in 2005 and 2007.

December 31, 2004

5. Investments (continued)

h) The Corporation is a limited partner in PVF, a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. The Corporation holds 10,254 (2003 – 10,000) partnership units and a 57.0 per cent interest in PVF (2003 – 57.5 per cent). As the Corporation does not control PVF the results are not consolidated.

i) The Corporation is a limited partner in WLSVF. WLSVF offers seed capital for human biotechnology, primary pharmaceuticals, biological, and neutraceutical products. The Corporation holds 7,600 (2003 – 4,100) partnership units and a 20.1 per cent interest in WLSVF (2003 – 22.2 per cent).

j) The Corporation owns $4.5 million (2003 – $6.1 million) in land, buildings and other properties held for resale.

k) Debentures, loans and other advances maturing in 2005 total $1.6 million (2004 – $2.7 million).

l) Earnings (losses) from equity investments are as follows (thousands):

	2004	2003
Saskferco Products Inc.	$ 19,667	$ 6,197
Meadow Lake OSB Limited Partnership	15,801	2,968
Prairie Ventures Limited Partnership	622	151
Western Life Sciences Venture Fund	(3,429)	(1,100)
Big Sky Farms Inc.	2,866	(143)
Foragen equity investments	(3,819)	–
Other	147	1,012
	$ 31,855	$ 9,085

m) During 2004, the Corporation disposed of its entire interest in SGI CANADA Insurance Services Ltd., consisting of 320,100 Class A common shares, to SGI CANADA, a related party, for proceeds equal to the book value of $1.3 million.

n) Provision for (recovery of) loan losses :

	2004	2003
Balance, January 1	$ 70,224	$ 73,873
Provision for losses	33,857	2,768
Recoveries of provisions for losses	–	(6,417)
Write-offs	(1,795)	–
Balance, December 31	$ 102,286	$ 70,224

o) Writedown of investments:

	2004	2003
Cost-basis investments – writedowns	$ 5,915	$ 2,291
Equity investments – recoveries	(2,523)	–
Properties – recoveries	(417)	–
	$ 2,975	$ 2,291

December 31, 2004

6. Property, plant and equipment

(thousands)

	Cost	2004 Accumulated Amortization	Net Book Value	2003 Net Book Value
Buildings	$ 46,027	$ 15,605	$ 30,422	$ 31,607
Construction in Progress	–	–	–	1,239
Equipment	142,184	79,226	62,958	67,714
Furniture and fixtures	1,016	234	782	678
Land	1,870	–	1,870	1,670
	$ 191,097	$ 95,065	$ 96,032	$ 102,908

Amortization expense for the year is $7,604 (2003 – $8,630).

7. Other assets

(thousands)

	2004	2003
Goodwill	$ 7,195	$ 7,195
Intangibles	545	639
Other	462	676
	$ 8,202	$ 8,510

Amortization expense for the year is $93 (2003 – $93).

The changes in the carrying amounts of goodwill are as follows:	2004	2003
Balance at January 1	$ 7,195	$ 4,670
Acquired during the year	–	2,525
	$ 7,195	$ 7,195

8. Bank indebtedness

a) Bank indebtedness includes a demand revolving facility to a maximum of $11.5 million (2003 – $11.5 million) which is subject to certain margin requirements based on accounts receivable and inventory levels related to food processing operations located in Calgary, Alberta, and Saskatoon, Saskatchewan. The Corporation has drawn $2.7 million (2003 – $3.8 million) against this facility. The facility bears interest at prime which is 4.25 per cent at December 31, 2004 (2003 – 4.5 per cent) and is secured by a general security agreement related to those operations including: a first charge on present and after acquired personal property, general assignment of accounts receivable and inventory, and a collateral mortgage in the amount of $26.3 million (2003 – $26.3 million).

b) Bank indebtedness includes an operating credit facility of $17.5 million (2003 – $17.5 million) related to the pulp mill operations. The facility is due on demand and is subject to a borrowing formula based on pulp mill inventory and accounts receivable levels. The Corporation has drawn $2.1 million on this facility as at December 31, 2004 (2003 – $9.6 million). The interest rate on this facility is floating but may be fixed for varying periods by the Corporation based on the bank prime rate, banker's acceptance rates, LIBOR or the U.S. dollar base rate. The interest rate at December 31, 2004 is 5.75% (2003 – 6.5%). Collateral pledged for this facility consists of a first charge on pulp mill accounts receivable and inventories, a fixed charge on all other pulp mill assets, a floating charge over pulp mill land, and an assignment of pulp mill insurance proceeds.

December 31, 2004

9. **Long-term debt**
(thousands)

	2004		2003	
	Principal Outstanding	**Interest Rate**	Principal Outstanding	Interest Rate
A. General Revenue Fund (GRF)				
Maturity Date				
June 2, 2006	$ **10,000**	**9.62**	$ 10,000	9.62
July 10, 2007	**4,000**	**9.83**	4,000	9.83
March 3, 2008	**3,000**	**9.62**	3,000	9.62
August 10, 2008	**3,919**	**10.06**	3,919	10.06
	20,919		20,919	
Less: Sinking fund balance	**(5,848)**		(5,616)	
Total due to GRF	**15,071**		15,303	
B. Other long-term debt				
Maturity Date				
July 31, 2006 (a)	**27,000**	**6.64**	31,000	6.64
May 26, 2009 (b)	**3,176**	**7.93**	3,317	7.93
February, 2009 (c)	**3,621**	**4.75**	3,609	5.00
Various	**9,162**	**Various**	8,719	Various
Total other long-term debt	**42,959**		46,645	
C. Financing arrangement (d)	**2,408**	**3.31**	2,574	2.66
	60,438		64,522	
Less: Due within one year (e)	**(5,423)**		(9,582)	
	$ **55,015**		$ 54,940	

a) The Corporation has senior secured debentures outstanding that are due July 31, 2006 and bear interest at a rate of 6.64 per cent and are payable along with principal payments of $2.0 million on January 31, April 30, July 31, and October 31 each year. Collateral for the debentures consists of a general security interest in all pulp mill assets, and a fixed and floating charge on all pulp mill assets.

b) The Corporation has a term loan outstanding that is repayable in monthly instalments of $33 thousand including interest at 7.93 per cent with the balance due May 26, 2009. This facility is secured by the general security agreement described in Note 8(a).

c) The Corporation has a term loan outstanding that is repayable in monthly instalments of $48 thousand bearing interest at prime plus 0.5 per cent (4.75 per cent) at December 31, 2004 (2003 – 5.0 per cent), maturing in February 2009.

December 31, 2004

9. Long-term debt (continued)

d) The Corporation has entered into a financing arrangement with a sales agent which bears interest at LIBOR plus 1.2 per cent or 3.31 per cent (2003 – 2.66 per cent) payable monthly. The principal has no specified terms of repayment, but the agent has confirmed that no repayment will be demanded prior to January 1, 2006. The advances are on account of pulp mill inventory delivered to the agent but not yet sold to customers.

e) Principal repayments (net of sinking funds) due in each of the next five years are as follows (thousands):

2005	$ 5,423
2006	28,326
2007	5,199
2008	8,083
2009	953

10. Share capital

(thousands)

	2004	2003
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
53,019,383 common shares (2003 – 34,000,000)	$ 530,194	$ 340,000

Pursuant to Order in Council 64/2004, $190.2 million in advances due to CIC were converted into 19,019,383 common shares at $10 per share.

11. Commitments and contingencies

a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The extent of the clean-up activities and associated costs is unknown and may be material in the future. The Corporation has accrued $2.4 million (2003 – $2.4 million) to carry out the clean-up activities.

b) The Corporation has committed to invest up to $14.0 million in Foragen by January 1, 2006. The Corporation has provided $10.0 million of this commitment to December 31, 2004 (2003 – $8.5 million).

c) The Corporation has committed to invest up to $7.6 million in WLSVF. The Corporation has provided $7.6 million of this commitment to December 31, 2004 (2003 – $4.1 million).

d) The Corporation has committed to invest up to $25.0 million in PVF subject to certain conditions. The Corporation has provided $10.3 million of this commitment to December 31, 2004 (2003 – $10.0 million).

e) The Corporation has indemnified CIC for the guarantee of MLPLP's long-term debt payments to a maximum of $54.0 million (2003 – $62.0 million). The Corporation's maximum exposure for 2005 under this indemnification is $54.0 million (2004 – $62.0 million).

f) The Corporation has indemnified Nutreco International B.V. for potential losses that may be incurred as a result of:

i) a breach of representation or warranty in the merger documentation;

ii) a breach of covenants contained in the merger documentation;

iii) any undisclosed or unaccrued liabilities of Investment Saskatchewan Swine Inc. as of March 31, 2003 resulting from and/or attached to Investment Saskatchewan Swine Inc. or the net assets, contracts, claims or other obligations transferred to Hypor LP from Investment Saskatchewan Swine Inc.;

December 31, 2004

11. Commitments and contingencies (continued)

iv) claims made by a third party based on a non-competition covenant made by Investment Saskatchewan Swine Inc.; and,

v) except for the indemnity referred to in (iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of $2.4 million.

g) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO, Extendicare Inc., Crown Life Insurance Company (Crown Life), and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10% or $32.1 million and terminates on the earlier of the second closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

h) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows (thousands):

2005	$ 2,754
2006	2,179
2007	861
2008	637
2009	424

i) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2004 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

12. Financing expense

(thousands)

	2004	2003
Interest expense		
Long-term debt	$ 4,381	$ 3,666
Other	1,124	1,317
Foreign exchange losses	676	2,872
	$ 6,181	$ 7,855

Interest paid on long-term debt and bank indebtedness during the year was $5.5 million (2003 – $5.0 million).

13. Items not affecting cash from operations

(thousands)

	2004	2003
Amortization	$ 7,697	$ 8,723
Earnings from equity investments	(31,855)	(9,085)
Loss (gain) on sale of investments	(1,690)	526
Provision for (recovery of) loan losses (Note 5(n))	33,857	(3,649)
Writedown of investments (Note 5(o))	2,975	2,291
Other non-cash items	2,802	(568)
	$ 13,786	$ (1,762)

December 31, 2004

14. Net change in non-cash working capital balances related to operations

(thousands)

	2004	2003
Increase in interest and dividends receivable	$ (457)	$ (1,176)
Increase in accounts receivable	(211)	(3,798)
Decrease (increase) in inventories	717	(1,278)
Decrease in prepaid expenses	234	388
Decrease in accounts payable and accrued liabilities	(2,363)	(1,443)
	$ (2,080)	$ (7,307)

15. Financial risk management

a) Risk management activities

The Corporation uses foreign exchange contracts and options to hedge its exposure to U.S. dollar exchange rate risk.

The following summarizes instruments held at each year end (thousands):

	2004		
	Carrying Amount	Average Rate	Maturity Date
Options	Cdn. $ 950	U.S. $ 0.78	March 2005
Foreign exchange contracts	U.S. $ 16,100	Cdn. $ 1.33	August 2005

	2003		
	Carrying Amount	Average Rate	Maturity Date
Options	Cdn. $ 500	U.S. $ 0.76	March 2004
Foreign exchange contracts	U.S. $ 29,000	Cdn. $ 1.38	December 2004

The fair value of foreign exchange contracts at December 31, 2004 is Cdn $1.20 resulting in an unrecognized gain on foreign exchange contracts of $2.0 million (2003 – unrecognized gain of $2.7 million). The carrying amount of the options approximates fair value.

b) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain of the Corporation's financial instruments including: cash and short-term investments, interest and dividends receivable, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures and other advances, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these long-term investments renders the calculation of a fair value with appropriate reliability impracticable.

The Corporation has not attempted to determine the fair value of its equity holdings, non-publicly traded common shares, investment in HARO, and its property holdings due to the costs associated with this type of valuation.

December 31, 2004

15. Financial risk management (continued)

At year end, the fair value of the following financial instruments is presented below (thousands):

	2004		2003	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term debt, GRF	**$ 20,919**	**$ 23,961**	$ 20,919	$ 24,801
Sinking funds	**5,848**	**5,848**	5,616	5,616

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to interest and dividends receivable, accounts receivable, debentures, loans and other advances, and counterparties to financial hedges. Interest and accounts receivable is diversified among many customers primarily in Saskatchewan. All outstanding debentures, loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses. The Corporation maintains credit policies and limits in respect to counterparties to financial hedge transactions.

d) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

16. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are summarized as follows (thousands):

	2004	2003
Category (as per financial statements)		
Interest and dividends receivable	**$ 1,428**	$ 1,164
Accounts receivable	**56**	279
Prepaid expenses	**682**	897
Accounts payable and accrued liabilities	**947**	909
Sale of goods and services	**571**	1,450
Interest and other revenues	**2,438**	202
Operating expenses	**32,257**	28,671
Financing expense	**1,808**	454

December 31, 2004

16. Related party transactions (continued)

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

17. Joint ventures

The Corporation has joint control over the operating, investing and financing policies of MLPLP through CIC Pulp Ltd., Centennial Foods Partnership through CIC Foods Inc., Foragen Technologies Limited Partnership through CIC FTLP Holdings Inc., Hypor LP through CIC Swine Genetics Holdings Inc., and Hypor B.V. through CIC Swine Genetics Holdings Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands):

	2004	2003
Current assets	**$ 61,888**	$ 61,280
Long-term assets	**126,216**	168,424
Current liabilities	**35,754**	41,675
Long-term liabilities	**41,076**	39,637
Revenue	**205,329**	187,295
Expenses	**212,294**	187,691
Net loss	**(6,965)**	(396)
Cash flows provided by operating activities	**40,909**	36,847
Cash flows used in investing activities	**(2,227)**	(9,025)
Cash flows (used in) provided by financing activities	**(1,786)**	6,593

Included in note 11 (h) above, is the Corporation's pro-rata share of commitments for the above mentioned joint ventures.

18. Subsequent events

Following the close of business on December 31, 2004, PCF Investments Ltd. and WTC Investments Ltd. have been amalgamated with Investment Saskatchewan Inc.

19. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

INVESTMENT SASKATCHEWAN • 2004 FINANCIAL RESULTS

Non-Consolidated Financial Statements

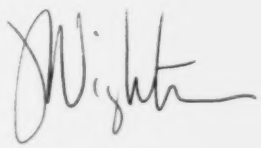
Management's Responsibility for Financial Statements

The accompanying financial statements included in the annual report of **Investment Saskatchewan Inc**. for the year ended December 31, 2004, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the non-consolidated financial statements to illustrate the financial position and results of the corporate entity only. They have been prepared on a non-consolidated basis, according to the basis of accounting described in Note 2(a) to the financial statements, consistently applied, using management's best estimates and judgment where appropriate. Financial information included elsewhere in this Annual Report is consistent with the non-consolidated financial statements.

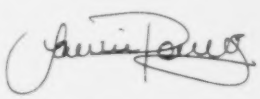
Management maintains a system of internal controls to support the integrity of information that forms the basis of the financial statements. The internal control systems provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit and Finance Committee, consisting solely of outside directors, which meets periodically with management as well as with the external auditor and the Provincial Auditor of Saskatchewan. The Audit and Finance Committee has met with management, the external auditor, and the Provincial Auditor of Saskatchewan to review the Corporation's annual non-consolidated financial statements prior to submission to the Board of Directors for final approval.

The non-consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Janet Wightman
President and CEO



Laurie Powers, CA
Chief Financial Officer

March 4, 2005

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the non-consolidated statement of financial position of **Investment Saskatchewan Inc.** as at December 31, 2004 and the non-consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2(a) to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 4, 2005

Non-Consolidated Statement of Financial Position

As at December 31
(thousands)

	2004	2003
ASSETS		
Current		
Cash and short-term investments (Note 3)	**$ 168,025**	$ 3,428
Interest and accounts receivable	**1,626**	1,169
	169,651	4,597
Investments – debentures, loans and other advances (Note 4)	**89,822**	224,938
Investments – equity basis (Note 5)	**347,108**	351,852
Investments – cost basis (Note 6)	**17,282**	22,094
Investments – properties (Note 7)	**4,543**	6,122
Equipment (Note 8)	**571**	78
	$ 628,977	$ 609,681
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	**$ 3,832**	$ 3,572
Dividend payable to Crown Investments Corporation of Saskatchewan (CIC)	**42,341**	–
	46,173	3,572
Due to CIC	**–**	190,194
Long-term debt (Note 9)	**15,071**	15,303
	61,244	209,069
Shareholder's Equity		
Share capital (Note 10)	**530,194**	340,000
Retained earnings	**37,539**	60,612
	567,733	400,612
	$ 628,977	$ 609,681

Commitments and contingencies (Note 11)
(See accompanying notes)

On behalf of the Board:

Director _____ Director _____

Non-Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31
(thousands)

	2004	2003
REVENUES		
Interest and other	$ 34,123	$ 2,216
Earnings from investments – equity basis (Note 5(n))	26,487	4,907
Loss on sale of investments	–	(526)
	60,610	6,597
EXPENSES		
General administration and other	5,450	2,494
Interest	1,808	454
Amortization	67	39
	7,325	2,987
EARNINGS BEFORE THE FOLLOWING	53,285	3,610
Provision for (recovery of) loan losses (Note 12)	32,145	(4,937)
Writedown of investments (Note 13)	1,872	1,053
NET EARNINGS	19,268	7,494
RETAINED EARNINGS, BEGINNING OF YEAR	60,612	53,118
DIVIDEND TO CIC	42,341	–
RETAINED EARNINGS, END OF YEAR	$ 37,539	$ 60,612

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

For the Year Ended December 31

(thousands)

	2004	2003
OPERATING ACTIVITIES		
Net earnings	$ 19,268	$ 7,494
Dividends from investments – equity basis	4,119	2,065
Items not affecting cash from operations (Note 14)	7,562	(8,226)
	30,949	1,333
Net change in non-cash working capital balances related to operations (Note 15)	(197)	(2,172)
Cash provided by (used in) operating activities	30,752	(839)
INVESTING ACTIVITIES		
Repayment of debentures, loans and advances	141,851	5,579
Purchase of investments	(9,787)	(30,783)
Proceeds from sale of investments	2,538	3,236
Purchase of equipment	(525)	(53)
Cash provided by (used in) investing activities	134,077	(22,021)
FINANCING ACTIVITIES		
(Decrease) increase in long-term debt	(232)	15,303
Increase in due to CIC	–	10,981
Cash (used in) provided by financing activities	(232)	26,284
INCREASE IN CASH POSITION	164,597	3,424
CASH POSITION, BEGINNING OF YEAR	3,428	4
CASH POSITION, END OF YEAR	$ 168,025	$ 3,428
COMPRISED OF:		
Cash	2,120	40
Short-term investments	165,905	3,388
	$ 168,025	$ 3,428
Supplementary cash flow information:		
Interest paid	$ 2,038	$ 512

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2004

1. The Corporation

Investment Saskatchewan Inc. (the Corporation) provides investment capital and financing, and prudently manages portfolios of commercially viable investments. The Corporation was incorporated under **The Business Corporations Act (Saskatchewan)** on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Provincial Crown corporation. Effective September 3, 2003 by Order in Council 700/2003, which made effective **The Crown Corporation Amendment Regulations, 1993**, the Corporation was designated a subsidiary of CIC to which the provisions of **The Crown Corporations Act, 1993** apply. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain of the Corporation's investments are subject to Federal and Provincial income taxes.

2. Summary of significant accounting policies

These non-consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as noted in 2(a) and 2(d) below. Significant accounting policies are summarized below:

a) Basis of presentation

Investment Saskatchewan Inc. is a Provincial Crown corporation as described in Note 1. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because the Corporation's investments, over which it is able to exercise control or joint control, are accounted for using the equity method. Separate audited consolidated financial statements have also been prepared for the Corporation in accordance with Canadian generally accepted accounting principles.

b) Short-term investments

Short-term investments are recorded at cost, and have original maturities of three months or less.

c) Investments – debentures, loans and other advances

The Corporation records debentures, loans and other advances at cost. When there is a decline in the value of a debenture, loan or other advance that is not considered temporary, the asset is written down to its estimated fair value.

Interest earned on debentures, loans and other advances is recognized on the accrual basis except where uncertainty exists as to ultimate collection. When collectibility of interest is not reasonably assured, interest income is recorded when cash is received. Interest owing to the Corporation is recorded as accrued interest receivable with amounts not eligible for recognition as revenue offset by deferred interest income. Cash received from HARO Financial Corporation (HARO) is allocated between principal and interest based on estimated future cash flows.

December 31, 2004

2. **Summary of significant accounting policies (continued)**

d) Investments – equity-basis

The Corporation uses the equity method to account for its subsidiaries:

CIC Foods Inc.
CIC FTLP Holdings Inc.
CIC FTMI Holdings Inc.
CIC OSB Products Inc.
CIC Pulp Ltd.
CIC PVF Holdings Inc.
CIC Swine Genetics Holdings Inc.
CIC WLSVF Holdings Inc.
Investment Saskatchewan Swine Inc. (formerly Genex Swine Group Inc.)
PCF Investments Ltd.
Saskatchewan Valley Potato Corporation
WTC Investments Ltd.

The Corporation also uses the equity method to account for other investments over which it exercises joint control or significant influence. Under the equity method, the Corporation's investment is initially recorded at cost and is adjusted for its share of investee net earnings or losses, and reduced by dividends received or receivable.

Where there is a decline in the value of an equity based investment that is not considered temporary, the investment is written down to its estimated fair value.

e) Investments – cost-basis

Investments in which the Corporation does not exercise significant influence are recorded at cost, with dividends from these investments recorded as income when received or receivable.

When there is a decline in the value of a cost based investment that is not considered temporary, the investment is written down to its estimated fair value.

f) Investments – properties

Investments in properties held for sale are recorded at the lower of cost and net realizable value.

g) Equipment

Equipment is recorded at cost. When equipment is disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the Non-Consolidated Statement of Operations and Retained Earnings. Equipment consists of computer hardware and software, furniture and equipment and leasehold improvements.

Amortization of equipment is recorded on the straight-line basis over the estimated productive life of each asset using the following amortization rates:

Computer hardware and software	3 years
Furniture and equipment	5 years
Leasehold improvements	10 years

December 31, 2004

2. **Summary of significant accounting policies (continued)**

h) Sinking funds

Sinking funds are recorded at cost. When there has been a decline in the value of the investment of the sinking fund that is not considered temporary, the investment is written down to its fair value.

i) Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosed amounts for contingent liabilities. Significant items subject to such estimates and assumptions include the carrying amounts of investments and revenue recognition. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

j) Impairment of long-lived assets

Effective January 1, 2004 the Corporation adopted the recommendations in section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets*. Long-lived assets, including property, plant and equipment, are amortized over their useful lives. The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value. Prior to January 1, 2004, the amount of the loss was determined by deducting the asset's net recoverable amount, based on undiscounted net cash flows expected to be generated by the asset, from its carrying value.

Adopting this section had no impact on the Corporation's financial statements.

k) Asset retirement obligation

Effective January 1, 2004 the Corporation adopted the recommendations in section 3110 of the CICA Handbook, *Asset Retirement Obligations*. This section is effective for years beginning on or after January 1, 2004. The standard provides guidance on how to recognize and measure liabilities related to the legal obligations associated with the retirement of property, plant and equipment. Obligations are initially measured at fair value and are adjusted for any changes resulting from the passage of time and any changes to the timing or amount of the original estimate of undiscounted cash flows. The asset retirement cost is capitalized as part of the related asset and is amortized into earnings over the assets useful life.

Adopting this section has not had a material effect on the Corporation's financial statements.

3. **Cash and short-term investments**

The major components of cash and short-term investments are as follows:

(thousands)

	2004	2003
Cash on deposit	$ 2,120	$ 40
Short term investments, at rates of interest varying between 2.42% and 2.57% invested with the Province of Saskatchewan	165,905	3,388
	$ 168,025	$ 3,428

December 31, 2004

4. Investments – debentures, loans and other advances

(thousands)

	2004	2003
HARO Financial Corporation:		
Term loan (a)	$ 200,130	$ 331,777
Interest receivable on Term Loan	529	6,099
Less: Deferred interest	(185,211)	(198,847)
	15,448	139,029
68,000,000 Class B non-voting common shares (b)	68,000	68,000
	83,448	207,029
Other Loans:		
Loan principal receivable (c)	8,542	18,942
Lease options	1,065	1,328
Less: Provision for loan losses	(3,233)	(2,361)
	6,374	17,909
	$ 89,822	$ 224,938

a) In 1992, the Corporation entered into a Term Loan Agreement with HARO. The Term Loan was for an initial five-year term with a maximum of four five-year renewal terms at the option of HARO. The Corporation agreed to renew this loan for a third five-year term in 2002. Annual interest rates on the Term Loan are fixed at the commencement of each five-year renewal term using the five-year Saskatchewan Bond rate (4.5 per cent) plus 1 per cent. For the third five-year term, the interest rate on the loan is 5.5 per cent compounded annually. Security for the Term Loan is 100 per cent of HARO's assets, which as of December 31, 2004 consist primarily of HARO's 65.2 per cent interest in Crown Life Insurance Company (Crown Life) shares.

Repayment of principal and interest is subject to available cash flow as defined in the loan agreement. HARO's main source of cash is distributions from Crown Life. Due to the uncertainty surrounding such cash flows, the Corporation has deferred recording interest income on the Term Loan until such time as cash is received from HARO. The Corporation's total interest deferred and owing at December 31, 2004, is $185.2 million (2003 – $198.8 million).

All unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will convert to 100 per cent of HARO equity shares. The Corporation has a unilateral right prior to December 15, 2017, to convert the loan to either HARO non-voting, HARO voting or Crown Life shares. Any conversion may be subject to regulatory approval.

b) Ownership of 68,000,000 of HARO's Class B non-voting common shares entitles the Corporation to a maximum of 100 per cent participation rights with respect to dividends and remaining property of HARO on its liquidation or dissolution. Subject to regulatory approval, the Corporation has a unilateral right to exchange at any time the Class B shares for voting shares or HARO's assets.

c) As at December 31, 2004, the Corporation holds various other loans with interest rates ranging from 3.70 per cent to 15 per cent (2003 – prime plus 1.25 percent (5.75 per cent) to 15 per cent) and maturities extending from 2005 to 2017 (2003 – 2004 to 2021).

d) Loans receivable and debentures maturing in 2005 total $0.3 million (2004 – $0.7 million).

December 31, 2004

5. Investments – equity basis

(thousands)

	Percentage Ownership	2004	2003
Saskferco Products Inc. (Saskferco) (a):			
68,449,080 (2003 – 68,449,080) Class B common shares			
Cost $68,449,080 (2003 – $68,449,080)			
Class B subordinated notes	49.5%	**$ 136,637**	$ 120,188
CIC Pulp Ltd. (b):			
100 (2003 – 100) common shares			
Cost $100 (2003 – $100)	100.0%	**(69,784)**	(64,387)
Due from CIC Pulp Ltd.		**20,257**	19,096
Millar Western Pulp (Meadow Lake) Ltd.:			
50 (2003 – 50) Class A common shares			
Cost $49 (2003 – $49)	50.0%	**–**	–
Loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP):			
Participating Debenture		**159,000**	159,000
Interest Loan		**482,619**	418,229
Term Loan		**24,640**	23,236
Contingency Loan		**16,850**	16,024
Guarantee Advance		**12,049**	11,514
Cash Flow Loan		**15,191**	14,460
Guarantee Loan		**11,252**	10,710
Accrued interest		**12,693**	11,493
Less: Deferred interest		**(515,933)**	(446,306)
Provision for loan losses		**(90,000)**	(60,000)
		78,834	113,069
CIC OSB Products Inc. (CIC OSB) (c):			
100 (2003 – 100) Class A common shares			
Cost $100 (2003 – $100)	100.0%	**18,770**	2,968
Due from CIC OSB		**25,170**	27,646
		43,940	30,614
CIC Foods Inc. (d):			
100 (2003 – 100) common shares			
Cost $100 (2003 – $100)	100.0%	**533**	(1,399)
Due from CIC Foods Inc.		**19,527**	19,637
		20,060	18,238

December 31, 2004

5. **Investments – equity basis (continued)**
(thousands)

	Percentage Ownership	2004	2003
Big Sky Farms Inc. (Big Sky) (e):			
150,000 (2003 – 150,000) common shares			
Cost – $500,000 (2003 – $500,000)			
3,750,000 (2003 – 3,750,000)			
convertible preferred shares			
Cost $15,000,000 (2003 – $15,000,000)			
subordinate debenture	39.5%	**21,649**	16,455
Investment Saskatchewan Swine Inc.:			
100 (2003 – 100)			
Class A common shares			
Cost $163 (2003 – $163)	100.0%	**88**	88
CIC PVF Holdings Inc. (f):			
100 (2003 – 100) Class A common shares			
Cost $100 (2003 – $100)	100.0%	**774**	151
Due from CIC PVF Holdings Inc.		**10,037**	9,980
		10,811	10,131
CIC FTLP Holdings Inc. (g):			
3,000,001 (2003 – 3,000,001) common shares			
Cost $3,000,001 (2003 – $3,000,001)	100.0%	**(4,023)**	1,056
Due from CIC FTLP Holdings Inc.		**7,000**	5,500
CIC FTMI Holdings Inc.			
140 (2003 – 140) common shares			
Cost $14 (2003 – $14)	100.0%	**–**	–
		2,977	6,556
Saskatchewan Valley Potato Corporation (SVPC) (h):			
100 (2003 – 100) Class A common shares			
Cost $16,216,499 (2003 – $16,216,499)	100.0%	**1,468**	631
Due from SVPC		**–**	1,167
		1,468	1,798
CIC WLSVF Holdings Inc. (i):			
1,000,000 (2003 – 1,000,000)			
Class A common shares			
Cost $1,000,000 (2003 – $1,000,000)	100.0%	**(3,832)**	(402)
Due from CIC WLSVF Holdings Inc.		**6,600**	3,100
		2,768	2,698

December 31, 2004

5. **Investments – equity basis (continued)**
(thousands)

	Percentage Ownership	2004	2003
SGI CANADA Insurance Services Ltd. (j):			
Nil (2003 – 320,100) Class A common shares			
Cost Nil (2003 – $2,000,100)	–	–	1,343
CIC Swine Genetics Holdings Inc. (k):			
1,000 (2003 – 1,000) common shares			
Cost $12,941,543 (2003 – $12,941,543)	100.0%	10,312	10,257
Due from CIC Swine Genetics Holdings Inc.		2,292	28
		12,604	10,285
PCF Investments Ltd. (PCF) (l):			
100 (2003 – 100) Class A voting shares			
Cost $100 (2003 – $100)	100.0%	(1,775)	(1,415)
Due from PCF		9,717	12,745
		7,942	11,330
WTC Investments Ltd. (WTC) (m):			
100 (2003 – 100) Class A voting shares			
Cost $100 (2003 – $100)	100.0%	(2,857)	(1,128)
Due from WTC		10,187	10,187
		7,330	9,059
		$ 347,108	$ 351,852

a) The Corporation holds a 49.5 per cent interest in Saskferco, a nitrogen fertilizer plant, located in Belle Plaine, Saskatchewan.

During 2004, the Corporation converted $54.4 million of equity in Saskferco into subordinated notes. The Corporation received a $54.4 million dividend from Saskferco, which was immediately reinvested in the form of Class B subordinated notes due June 1, 2014. Interest is calculated at the CDOR rate on June 1 of each year and is receivable on May 31 of the following year. The Corporation's equity in Saskferco is $85.4 million and the remaining balance of the subordinated notes is $51.2 million.

b) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., owns a 50 per cent interest in MLPLP, a pulp mill located near Meadow Lake, Saskatchewan. The amounts due from CIC Pulp Ltd. are non-interest bearing and repayable on demand.

The Corporation's loans to MLPLP include the:

- Participating Debenture which bears interest at 11.15 per cent calculated annually on October 31.
- Term Loan which bears interest at prime plus 2 per cent, or 6.25 per cent at December 31, 2004 (2003 – 6.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Contingency Loan which bears interest at prime plus 1 per cent, or 5.25 per cent, at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

December 31, 2004

5. Investments – equity basis (continued)

- Guarantee Advance which bears interest at prime plus 1 per cent, or 5.25 per cent, at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Cash Flow Loan which bears interest at prime plus 1 per cent, or 5.25 per cent, at December 31, 2004 (2003 - 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.
- Guarantee Loan which bears interest at prime plus 1 per cent, or 5.25 per cent, at December 31, 2004 (2003 – 5.5 per cent). Any interest not paid on October 31 of each year is added to the principal balance.

The Corporation records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of collection. Deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any repayments of the Participating Debenture, Contingency Loan, Interest Loan, Guarantee Advance, Cash Flow Loan, and the Guarantee Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external loan.

If, by October 31, 2014, less than $159.0 million in aggregate has been paid on the Participating Debenture and Interest Loan, an amount equal to the difference between $159.0 million and the aggregate amount paid is due and payable. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 2.63 per cent at December 31, 2004 (2003 – 2.62 per cent), until paid in full. The Contingency Loan and Term Loan also mature in 2014.

The Corporation's loans to MLPLP are subject to measurement uncertainty since their value is dependent upon the present value of the cash flows provided by MLPLP operations. Using management's best estimates based on assumptions that reflect the most probable set of economic circumstances, the Corporation has taken a provision of $30 million in the current year, against the carrying value of these loans, and believes its loans to MLPLP are properly valued as at December 31, 2004. However, given the wide fluctuations in world commodity prices for pulp, this estimate could change materially in the near term.

c) The Corporation, through its wholly-owned subsidiary CIC OSB, is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. CIC OSB holds a 25.0 per cent interest in ML OSB (2003 – 25.0 per cent). The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The expiry date for 9,980,000 units is October 1, 2008 and the expiry date for 10,000,000 units is December 2011. If exercised, the Corporation's interest would be diluted to 6.8 per cent.

d) The Corporation, through its wholly-owned subsidiary CIC Foods Inc., owns a 35 per cent interest in Centennial Foods Partnership (Centennial).

The Corporation's partnership agreement includes a provision that allows Centennial 2000 Inc. to withdraw capital to pay any tax liabilities resulting from its ownership of Centennial. The Corporation does not have matching capital withdrawal rights. As a result, the Corporation is treating Centennial 2000 Inc.'s capital withdrawal as a priority distribution and charging the Corporation's share of income with the Corporation's 35 per cent share of the distributions to Centennial 2000 Inc.

December 31, 2004

5. Investments – equity basis (continued)

e) The Corporation holds a 39.5 per cent (2003 – 41.2 per cent) interest in Big Sky, a hog production operation headquartered in Humboldt, Saskatchewan. The preferred shares have an annual cumulative dividend of 5.0 per cent to 2005, and a 10.0 per cent cumulative dividend rate thereafter. All cumulative preferential dividends to June 30, 2004 were paid to the Corporation and reinvested in a debenture. At December 31, 2004, the balance of the debenture is $2.9 million. The preferred shares may be converted to common shares by the holder, on a one-to-one basis, anytime in the first five years from date of issue ending in 2005. Furthermore, the preferred shares are retractable or redeemable starting in 2007. The Corporation holds options to acquire an additional 500,000 convertible voting preferred shares which expire in 2005 and 2007.

f) The Corporation, through its wholly-owned subsidiary CIC PVF Holdings Inc., is a limited partner in Prairie Ventures Limited Partnership (PVF), a venture capital fund which provides capital to grow small and medium sized companies primarily in Saskatchewan. The Corporation holds 10,254 (2003 – 10,000) partnership units and a 57.0 per cent interest in PVF (2003 – 57.5 per cent).

g) The Corporation, through its wholly-owned subsidiary CIC FTLP Holdings Inc., is a limited partner in Foragen Technologies Limited Partnership (Foragen), a venture capital fund which offers seed capital to advanced agricultural technology corporations. CIC FTLP Holdings Inc. holds a 33.3 per cent interest in Foragen (2003 – 33.3 per cent).

h) The Corporation holds 100 percent of the Class A voting common shares of Saskatchewan Valley Potato Corporation (SVPC) (2003 – 100 per cent). SVPC is a seed potato storage company in the Lake Diefenbaker area. The Corporation provides SVPC with a line of credit not to exceed $3.0 million (2003 – $3.0 million), which is non-interest bearing and due on demand. At December 31, 2004, SVPC has $nil (2003 – $1.2 million) outstanding on the line of credit.

i) The Corporation, through its wholly-owned subsidiary CIC WLSVF Holdings Inc., is a limited partner in Western Life Sciences Venture Fund Limited Partnership (WLSVF). WLSVF offers seed capital for human biotechnology, primary pharmaceuticals, biological, and neutraceutical products. CIC WLSVF Holdings Inc. holds a 20.1 per cent interest in WLSVF (2003 – 22.2 per cent).

j) During 2004, the Corporation disposed of its entire interest in SGI CANADA Insurance Services Ltd., consisting of 320,100 Class A common shares, to SGI CANADA, a related party, for proceeds equal to the book value of $1.3 million.

k) The Corporation, through its wholly-owned subsidiaries CIC Swine Genetics Holdings Inc., CIC Swine Genetics Inc., and CIC Swine Genetics (NL) B.V., carries on the business of the research, development, production, marketing and sale of pigs, and swine genetic material. CIC Swine Genetics Inc. holds a 50.0 per cent interest in Hypor LP with operations in Canada. CIC Swine Genetics (NL) B.V. holds a 50.0 per cent interest in Hypor B.V. with operations primarily in the Netherlands, Belgium and Italy and a 47.4 per cent interest in Euribrid Espana S.A. with operations in Spain.

l) The Corporation, through its wholly-owned subsidiary PCF Investments Ltd. (PCF), holds certain investments individually valued at less than $3 million. Following the close of business on December 31, 2004, PCF has been amalgamated with Investment Saskatchewan.

m) The Corporation, through its wholly-owned subsidiary WTC Investments Ltd. (WTC), holds certain investments individually valued at less than $3 million. Following the close of business on December 31, 2004, WTC has been amalgamated with Investment Saskatchewan.

December 31, 2004

5. Investments – equity basis (continued)

n) Earnings (losses) from long-term investments – equity basis are as follows (thousands):

	2004	2003
Big Sky Farms Inc.	$ 2,866	$ (143)
CIC Foods Inc.	1,931	365
CIC FTLP Holdings Inc.	(5,080)	(587)
CIC OSB Products Inc.	15,801	2,968
CIC Pulp Ltd.	(5,396)	870
CIC PVF Holdings Inc.	622	151
CIC Swine Genetics Holdings Inc.	56	(690)
CIC WLSVF Holdings Inc.	(3,429)	(1,100)
Investment Saskatchewan Swine Inc.	–	(1,962)
PCF Investments Ltd.	(360)	(1,415)
Saskatchewan Valley Potato Corporation	1,537	706
Saskferco Products Inc.	19,667	6,197
SGI CANADA Insurance Services Ltd.	–	675
WTC Investments Ltd.	(1,728)	(1,128)
	$ 26,487	$ 4,907

6. Investments – cost basis

(thousands)

	2004	2003
Pangaea Systems Inc.	$ –	$ 2,000
Premium Brands Inc.	12,188	15,000
Primaxis Technology Ventures Incorporated	5,000	5,000
Other	94	94
	$ 17,282	$ 22,094

Writedowns of investments are described in Note 13.

7. Investments – properties

The Corporation owns $4.5 million (2003 – $6.1 million) in land, buildings and other properties held for resale.

8. Equipment

(thousands)

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware & software	$ 145	$ 84	$ 61	$ 78
Furniture and equipment	234	15	219	–
Leasehold improvements	298	7	291	–
	$ 677	$ 106	$ 571	$ 78

Amortization expense for the year is $67 (2003 – $39).

December 31, 2004

9. Long-term debt
(thousands)

	2004		2003	
	Principal Outstanding	**Interest Rate**	Principal Outstanding	Interest Rate
General Revenue Fund (GRF)				
Maturity Date				
June 2, 2006	**$ 10,000**	**9.62**	$ 10,000	9.62
July 10, 2007	**4,000**	**9.83**	4,000	9.83
March 3, 2008	**3,000**	**9.62**	3,000	9.62
August 10, 2008	**3,919**	**10.06**	3,919	10.06
	20,919		20,919	
Less: Sinking fund balance	**(5,848)**		(5,616)	
	$ 15,071		$ 15,303	

Principal repayments (net of sinking funds) due in each of the next four years are as follows (thousands):

2005	**$ –**
2006	**4,152**
2007	**4,000**
2008	**6,919**

10. Share capital
(thousands)

	2004	2003
Authorized		
Unlimited common shares with no par value		
Issued and outstanding		
53,019,383 common shares (2003 – 34,000,000)	**$ 530,194**	$ 340,000

Pursuant to Order in Council 64/2004, $190.2 million in advances due to CIC were converted into 19,019,383 common shares at $10 per share.

11. Commitments and contingencies

a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of this liability. The extent of the clean-up activities and associated costs is unknown and may be material in the future. The Corporation has accrued $2.4 million (2003 – $2.4 million) to carry out the clean-up activities.

b) The Corporation has committed to invest up to $14.0 million in Foragen by January 1, 2006. The Corporation has provided $10.0 million of this commitment to December 31, 2004 (2003 – $8.5 million).

c) The Corporation has committed to invest up to $7.6 million in WLSVF. The Corporation has provided $7.6 million of this commitment to December 31, 2004 (2003 – $4.1 million).

December 31, 2004

11. Commitments and contingencies (continued)

d) The Corporation has committed to invest up to $25.0 million in PVF subject to certain conditions. The Corporation has provided $10.3 million of this commitment to December 31, 2004 (2003 – $10.0 million).

e) As part of a merger agreement with Nutreco International B.V., the Corporation has indemnified Nutreco International B.V. for potential losses, with respect to the investments described in Note 5(k), which may be incurred as a result of:

i) a breach of representation or warranty in the merger documentation;

ii) a breach of covenants contained in the merger documentation;

iii) any undisclosed or unaccrued liabilities of Investment Saskatchewan Swine Inc. as of March 31, 2003 resulting from and/or attached to Investment Saskatchewan Swine Inc. or the net assets, contracts, claims or other obligations transferred to Hypor LP from Investment Saskatchewan Swine Inc.;

iv) claims made by a third party based on a non-competition covenant made by Investment Saskatchewan Swine Inc.; and,

v) except for the indemnity referred to in iv), which is not subject to limitations, the indemnification is limited to aggregate losses in excess of 150,000 Euros to a maximum of $2.4 million.

f) The Corporation has indemnified CIC for the guarantee of MLPLP's long-term debt payments to a maximum of $54.0 million (2003 – $62.0 million). The Corporation's maximum exposure for 2005 under this indemnification is $54.0 million (2004 – $62.0 million).

g) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with HARO, Extendicare Inc., Crown Life, and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2% of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity is limited to the dividend plus 10% or $32.1 million and terminates on the earlier of the second closing of the sale of Crown Life to Canada Life Assurance Company or April 1, 2010.

h) The future minimum payments under operating leases and contractual obligations for services in each of the next five years are as follows (thousands):

2005	$ 302
2006	305
2007	265
2008	204
2009	209

Included in the above is operating costs on a premises lease estimated at $85 annually, payable monthly.

i) In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2004 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.

December 31, 2004

12. Provision for (recovery of) loan losses

(thousands)

	2004	2003
Balance, January 1	$ 62,361	$ 67,298
Provision for losses	32,145	1,480
Recoveries of provisions for losses	–	(6,417)
Write-offs	(1,273)	–
Balance, December 31	$ 93,233	$ 62,361

13. Writedown of investments

(thousands)

	2004	2003
Cost-basis investments – writedowns	$ 4,812	$ 1,053
Equity investments – recoveries	(2,523)	–
Properties – recoveries	(417)	–
	$ 1,872	$ 1,053

14. Items not affecting cash from operations

(thousands)

	2004	2003
Loss on sale of investments	$ –	$ 526
Provision for (recovery of) loan losses	32,145	(4,937)
Writedown of investments	1,872	1,053
Earnings from investments – equity basis	(26,487)	(4,907)
Amortization	67	39
Other	(35)	–
	$ 7,562	$ (8,226)

15. Net change in non-cash working capital balances related to operations

(thousands)

	2004	2003
Increase in interest and accounts receivable	$ (457)	$ (1,061)
Increase (decrease) in accounts payable	260	(1,111)
	$ (197)	$ (2,172)

December 31, 2004

16. Financial risk management

a) Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying digrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Certain of the Corporation's financial instruments including: cash and short-term investments; interest and accounts receivable; accounts payable; and, dividend payable to CIC, have carrying amounts that approximate fair value due to their short-term maturity.

There is no active secondary market for many of the Corporation's loans, debentures and other advances, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these long-term investments renders the calculation of a fair value with appropriate reliability impracticable.

The Corporation has not attempted to determine the fair value of its equity holdings, non-publicly traded common shares, investment in HARO, and its property holdings due to the costs associated with this type of valuation.

At year end, the fair value of the following financial instruments is presented below (thousands):

	2004		2003	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Long-term debt, GRF	**$ 20,919**	**23,961**	$ 20,919	24,801
Sinking funds	**5,848**	**5,848**	5,616	5,616

b) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions.

All outstanding debentures, loans and other advances are receivable from Saskatchewan corporations or from entities doing business in Saskatchewan. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses.

c) Interest rate risk

The Corporation may be exposed to interest rate risk on maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk.

December 31, 2004

17. Related party transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows (thousands):

	2004	2003
Category (as per financial statements)		
Interest and accounts receivable	$ 1,428	$ 1,164
Accounts payable	836	795
Interest and other revenues	2,438	202
General administration and other expenses	2,123	686
Interest expense	1,808	454

In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. The Corporation records taxes paid as part of the cost of those purchases.

These non-consolidated financial statements and notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

18. Joint ventures

The Corporation has joint control over the operating, investing and financing activities of MLPLP through CIC Pulp Ltd., Centennial Foods Partnership through CIC Foods Inc., Foragen Technologies Limited Partnership through CIC FTLP Holdings Inc., Hypor LP *through CIC Swine Genetics Holdings Inc., and Hypor B.V. through CIC Swine Genetics* Holdings Inc. The Corporation's pro rata share of its interest in these joint ventures is as follows (thousands):

	2004	2003
Current assets	$ 61,888	$ 61,280
Long-term assets	126,216	168,424
Current liabilities	35,754	41,675
Long-term liabilities	41,076	39,637
Revenue	205,329	187,295
Expenses	212,294	187,691
Net loss	(6,965)	(396)
Cash flows provided by operating activities	40,909	36,847
Cash flows used in investing activities	(2,227)	(9,025)
Cash flows (used in) provided by financing activities	(1,786)	6,593

19. Subsequent events

Following the close of business on December 31, 2004, PCF Investments Ltd. and WTC Investments Ltd. have been amalgamated with Investment Saskatchewan Inc.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Corporate Governance

Corporate Governance

The current structure and composition of the Investment Saskatchewan Inc. Board of Directors was initiated in 2003. The Board is composed of eight directors.

The Board of Directors is responsible for establishing the overall strategic direction for the organization and for ensuring the strategy becomes operationalized through the organization's business plans. It has the authority and obligation to protect and enhance the assets of the Corporation in the interests of the shareholder and carries out this responsibility in an active manner.

Investment Saskatchewan uses an Annual Performance Management model that starts with the Board of Directors and the establishment of the organizational strategy. The model includes involvement of management and all employees which results in a Strategic Plan. The Corporation has established a Balanced Scorecard which is the framework used to set objectives, measure and evaluate its overall business performance.

The Board is responsible for the stewardship of the Corporation. In fulfilling its stewardship responsibilities, the principal duties of the Board are to:

- set the long-term strategic direction of the Corporation, approve annual plans and performance targets, and monitor the Corporation's performance against plan;
- ensure compliance with the Corporation's statutory responsibilities;
- identify with management the risks to the Corporation and set policies and procedures to manage those risks;
- ensure the integrity of the Corporation's internal controls and financial systems;
- review the performance of the CEO, and ensure that succession plans are in place; and
- adopt policies for effective communications with the shareholder, stakeholders, and the public.

The commitment and involvement of individual directors in ensuring the representation of the interests of the shareholder is evidenced by their regular attendance at board and committee meetings, diligent preparation, participation in setting strategy, overseeing performance and holding management accountable for results.

To assist the Board in carrying out its duties, it has established four committees. The committees operate under specific terms of reference, report regularly to the Board and submit recommendations to the entire Board for approval. The composition of each committee and a description of their responsibilities follow.

Monitors and reviews the financial performance of the Corporation. Reviews internal controls, risk management practices, significant accounting policies, and regulatory and financial reporting requirements. Reviews and recommends key financial indicators, capital and operating budgets, and quarterly and annual financial statements. Oversees the external auditor's involvement and independence. Reviews directors' expenses and the operating costs of the Board as well as the expenses of the CEO.

Members: Susan Milburn, Chair; Paul Martin; and Gord Tallman.

Reviews and recommends approval of investment policies. Approves new investments within delegated authorities or recommends investments to the full Board for approval. Regularly reviews the performance of the portfolio and portfolio managers against industry benchmarks and makes recommendations to the Board on the manager's appointment, termination, terms and fees.

Members: Donald W. Black, Chair; Susan Milburn; Anne Parker; Bob Reid; and Gord Tallman.

Monitors the functioning of the Board and Board committees, against current best practices in corporate governance. The Committee provides recommendations to the Board on governance practices, including: Board and committee composition, size, and membership. Director education, and the evaluation of Board and Director performance.

Human resource responsibilities include annual performance review of the CEO, succession planning policies and practices, and compensation and benefit programs. The Committee also serves as the Ethics Advisor to individual board members and the Board.

Members: Bob Reid, Chair; Ray McKay; and Anne Parker.

Annually reviews management's communications framework, priorities, general themes and plans. Annually reviews the policy and procedures for publicly released information and the annual report. Ensures awareness, understanding, support for and commitment to Investment Saskatchewan objectives through strategic and structured communications programs.

Members: Paul Martin, Chair and Anne Parker

TSX Corporate Governance Compliance

The Board of Directors of Investment Saskatchewan has implemented policies and practices that are consistent with TSX Corporate Governance Committee Guidelines.

	TSX Corporate Governance Committee Guidelines (summary)	Investment Saskatchewan Corporate Governance Practices	Alignment
1.	The board should explicitly assume responsibility for the stewardship of the corporation, specifically for:		
	a. Adoption of a strategic planning process;	The Board provides leadership in setting the Corporation's long-range strategic direction. The Corporation undertakes an annual strategic planning process resulting in the establishment of the Strategic & Business Plan which includes consideration of the risks and opportunities of the organization. On a quarterly basis the Board reviews progress against the plan including the annual operating and capital budgets.	✓
	b. The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;	The Board of Directors, through the Audit & Finance Committee ensures that appropriate policies and systems are put in place by management to identify and manage the principal business risks of the corporation. The Board receives regular reports from management on the effectiveness of these systems.	✓
	c. Succession planning, including appointing, training and monitoring senior management;	The Board of Directors supported by the Governance and Human Resources Committee is responsible for selecting and appointing the CEO and for setting compensation and monitoring performance of the incumbent. Through the Governance & HR Committee, the Board approves the establishment of corporate and CEO performance objectives and ensures that processes are in place for recruitment and assessment of performance for senior managers. The Board is responsible for ensuring that a succession plan is in place, that the plan is regularly reviewed and that appropriate development opportunities are available for employees of the corporation.	✓
	d. A communications policy for the corporation;	The Communications and Public Relations Committee supports the Board by reviewing and recommending communications policies for the corporation. These policies include procedures for communicating with appointees to investee boards. The Board also approves all the major communications pieces, including annual and quarterly reports and press releases.	✓
	e. The integrity of the corporation's internal control and management information systems.	The Board of Directors, through its Audit and Finance Committee evaluates the effectiveness of internal controls, accounting policies of the corporation and its financial reporting and disclosure practices. The Audit and Finance Committee meets regularly with the external auditors and management of the company to ensure the integrity of its systems. The Board of Directors, on recommendation from the Audit and Finance Committee approves the annual financial statements.	✓
2.	The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.	The Board of Directors is comprised of eight directors all of whom are unrelated.	✓

	TSX Corporate Governance Committee Guidelines (summary)	Investment Saskatchewan Corporate Governance Practices	Alignment
3.	The board will be required to disclose on an annual basis whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder.	The Board undertakes a review of the relationships of its directors to determine whether or not each member is an unrelated director. All directors are unrelated to the corporation and more information about each director is disclosed in Book 1 (The Year in Review) of the Annual Report.	✓
4.	The board of directors of every corporation should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors, with responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.	The Governance and Human Resources Committee has been delegated responsibility for identifying potential nominees for appointment to the Board and for the ongoing assessment of individual directors. The Committee includes three members of the Board all of whom are unrelated.	✓
5.	Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.	The Governance and Human Resources Committee has been delegated responsibility for evaluating the effectiveness of the Board of Directors, the Committees, the Chair and individual directors per the shareholder's Crown board appointment policy.	✓
6.	Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.	The Governance and Human Resources Committee has been delegated responsibility for the development and implementation of a Director orientation and continuing education program. Additionally, the Crown Investments Corporation (the shareholder) provides annual training sessions for Crown boards of directors.	✓
7.	Every board of directors should examine its size, and undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.	The Governance and Human Resources Committee has been delegated responsibility to assess and advise the board annually with respect to the size, composition and required qualifications of directors. The evaluation and recommendations of the Committee are presented for approval of the Board of Directors.	✓
8.	The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.	Investment Saskatchewan's shareholder, Crown Investments Corporation, sets the compensation and expense reimbursement rates of Crown directors. CIC has internal processes to assess the adequacy of Director compensation and to make adjustments as required.	✓
9.	Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors, although some board committees, such as the executive committee, may include one or more inside directors.	The membership of all Committees of the Board of Directors includes outside directors exclusively.	✓
10.	Every board of directors should expressly assume responsibility for or assign to a committee of directors the general responsibility for developing the corporation's approach to governance issues. This committee would, among other things, be responsible for the corporation's response to these governance guidelines.	The Governance and Human Resources Committee is responsible for reviewing overall governance principles of the organization and for recommending required changes to the Board of Directors.	✓

	TSX Corporate Governance Committee Guidelines (summary)	Investment Saskatchewan Corporate Governance Practices	Alignment
11.	The Board of Directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting.	The Governance and Human Resources Committee is responsible for the overall governance of the corporation including developing position descriptions for the board and CEO. The Board of Directors, through this Committee establishes the corporate objectives that the CEO is responsible for achieving. The Board of Directors has approved a policy for the execution of documents and expenditure authorities for the CEO and senior management. This policy outlines the limits to Senior Management's authorities and the thresholds over which matters must receive Committee or Board of Director approval.	✓
12.	Every board of directors should have in place, appropriate structures and procedures to ensure that the board can function independently of management.	The Board and all Committees conduct an in-camera session at each meeting where management are not present. The Board has access to other senior staff of the corporation as required to properly discharge their duties and responsibilities.	✓
13.	The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control.	All members of the Audit and Finance Committee are unrelated Directors. All are financially literate, and two members have financial expertise. The Audit and Finance Committee Terms of Reference defines the roles and responsibilities of the Committee and its members. These Terms of Reference include among other things, review of the annual financial statements, review of reports of the external auditors with respect to the Corporation's internal control systems, review of quarterly financial statements and forecasts, and review of the adequacy of internal control systems. The Audit and Finance Committee meets in-camera with the external auditors at a minimum annually.	✓
14.	The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board.	The Board of Directors and its Committees have the ability to obtain the advice of external advisors if, in their opinion, it is necessary to properly discharge their duties and responsibilities.	✓

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INVESTMENT SASKATCHEWAN • THE YEAR IN REVIEW 2004

Fundamentals

2004 Highlights
Message from the CEO
Corporate Profile
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2004 Environmental Scan
Investment Stategy
Assets – Portfolio
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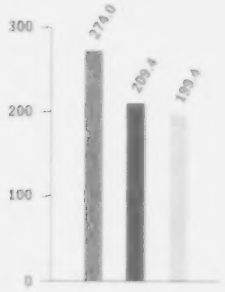
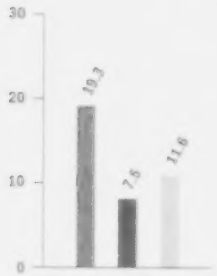
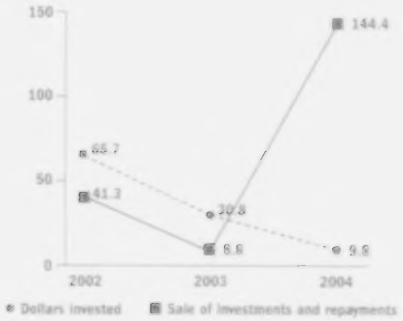
2004 HIGHLIGHTS



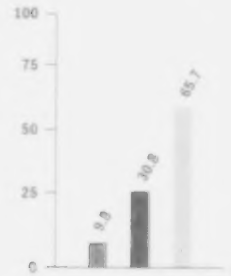
Total revenue (consolidated) – 3-year



Net income – 3-year



Dollars invested vs proceeds from sale of investments and repayments (non-consolidated) – 3-year



New investments (non-consolidated) – 3-year

Strong portfolio management has led to good financial performance for Investment Saskatchewan. Strategic investments continue to increase total revenue, especially as investee companies have seen demand for their products increase, and in some cases, prices for products increase dramatically. Although the level of investment activity dropped in 2004, the reorganization of the Corporation is nearing completion and a revitalized focus on new deals will dominate activity in 2005. During 2004, strong earnings, proceeds from the sale of investments and repayments, demonstrated the current portfolio's ability to consistently return value.

Chief Executive Officer's Message

2004 was a year of building – building the organization, its business profile and its fundamental infrastructure. The organization was in its first full year of operations as a stand-alone entity and had assumed a legacy portfolio from its parent, Crown Investments Corporation of Saskatchewan (CIC). The portfolio was created through the amalgamation of a number of different government entities, each operating under different mandates and all with a view to stimulating economic development.

The mandate given to Investment Saskatchewan continues the focus on stimulating economic activity in the province, but with a slight twist. The Board of Directors has been delegated the authority for investment decisions in order to maintain an arms-length relationship with the shareholder and to ensure that decisions are made by those best qualified. In addition, the mandate for the primary fund is to operate on commercial terms and to leverage public capital with that of private sector or other partners.

Investment Saskatchewan can and may elect to establish sub-funds which would be driven more directly by public policy interests than pure commercial returns and may take this approach where gaps exist in the Province's financial markets. Unlike the past however, where sub-funds are created, they will be branded differently and each will possess defined mandates and clearly identified objectives for both returns and leverage so that performance expectations on these particular funds are clear.

When he established the organization, Premier Lorne Calvert stated that his government did not accept the view that public capital is unnecessary in the provincial marketplace and expressed the opinion that through partnering on commercial terms, Investment Saskatchewan would be able to leverage partners' investments in the Province, replacing the need for public capital over the long-term.

To put this mandate into action, Investment Saskatchewan must build a foundation of fundamentals. This focus began midway through the year in 2004 after I joined the organization as President and CEO.

At Investment Saskatchewan, we define fundamentals in tangible and intangible ways. Financially, it means a strong asset base, sound principles of investment management – specifically balancing risk with reward, operating under a well-defined governance and policy framework, achieving sustainable growth, and reporting on performance in a manner consistent with best-practices. It also means building fundamentals which are slightly less tangible – the values by which we operate, credibility and a reputation as a partner who can be trusted.

Even if an organization can achieve a top-quartile investment track record and has a compelling story to tell, the intangibles can derail the strongest. It is not sufficient to simply talk strategy, investments and valuations in the private equity world. A track record of results is demanded as "table stakes" – those elements that are the most basic requirements of succeeding in this business. Partners and potential investees also want to see behavioural evidence of a company that lives its values and to hear from others about the credibility and strong reputation which comes from delivering results and behaving with integrity.

Building these fundamentals is the single-minded focus for Investment Saskatchewan's evolution. From this, we will translate these fundamentals into results – we will grow our investment portfolio, attract new capital to invest in business enterprises in Saskatchewan, divest at strategic opportunities and earn a return commensurate with risk.

As I review the operations in 2004, I am proud to report

net earnings for the year of $19.3 million, up from $7.5 million in 2003. Not surprisingly, the majority of consolidated revenue, earnings and assets are from the corporation's largest investments. New relationships were developed with investees which have resulted in a positive and growing dynamic.

During 2004 several of our investees faced a number of economic uncertainties caused by such factors as changes in the U.S./Canadian dollar exchange rates, fluctuating commodity prices, high natural gas and electricity costs and significant challenges in the agricultural industry. Despite these uncertainties several of our major investments experienced strong financial results led most notably by Meadow Lake OSB Limited Partnership and Saskferco Products Inc.

Cash flows were enhanced by payments received from a number of our investees including HARO Financial Corporation, Mitchell's Gourmet Foods, Saskferco Products Inc., SGI CANADA Insurance Ltd., Great Western Brewing Company Ltd., and from the sale of a number of properties.

In 2004 the organization was entirely self-supporting in terms of cash requirements and after converting $190.2 million of advances due to CIC into share capital, it is now almost entirely equity financed. Investments of $9.8 million were made during the year as add-ons to support the growth of companies in the portfolio.

Two dividends were declared at year end to Crown Investments Corporation for 2004. The first dividend of $17.3 million represents 90 per cent of net income for the year and the second is a $25 million special dividend requested by the shareholder. Both amounts are payable in March of 2005.

As President and CEO, I have seen first hand the commitment and dedication that Investment Saskatchewan professionals demonstrate every day. With their ongoing contribution we are successfully advancing our business plan and our vision for the future.

We face a number of challenges and most revolve around the fundamentals. With the results demonstrated in 2004, we are on the way to strengthening our financial performance with improved cash flows, strong portfolio performance, recognition of the need for relevant reporting, and provisions where prudent to protect the company's balance sheet.

Our challenges ahead lie in strengthening our reputation and credibility in a complicated and competitive market. Investment decisions are often made with partners – those who will accept and share risk with similar interests. Our goal is to make significant improvements in educating stakeholders about the mandate and capacity of Investment Saskatchewan, who we are and how we operate, so as to encourage a wider array of partners.

Investment Saskatchewan's goal is to make significant improvements in improving awareness about our mandate and capacity.

To achieve this, we will build relationships with venture capital and private equity firms, merchant bankers and others in the financial services sector, industry leaders in target sectors, and intermediaries in law firms, accounting firms, and business support firms. These groups need to know what Investment Saskatchewan can offer and with an increased profile, partners will think of us first when considering business opportunities in Saskatchewan.

The environment for investment continues to change in Canada and statistics show that the investment climate is picking up after its downturn several years ago. Our commitment to the investment potential of Saskatchewan remains unaltered. We will become the local partner of choice for investors within and outside the province and we will set our sights on nothing short of top quartile performance. Our mandate is clear – "enhance Saskatchewan's long-term economic growth..." Over time, private capital investors will more frequently consider this province as the site of much potential.

Janet Wightman
Chief Executive Officer

Corporate Profile

Investment Saskatchewan Inc. is a designated subsidiary crown corporation under *The Crown Corporations Act, 1993* and an incorporated entity under the *Saskatchewan Business Corporations Act*. Formerly known as CIC Industrial Interests Inc. (CIC III), Investment Saskatchewan was established as a stand-alone entity, wholly owned by the Crown Investments Corporation of Saskatchewan. The Corporation presently holds a portfolio of over $458 million of investments in a variety of businesses. Investment Saskatchewan's head office is located in Regina, Saskatchewan with a satellite office located in Saskatoon, Saskatchewan.

MANDATE

Investment Saskatchewan's mandate is to enhance Saskatchewan's long-term economic growth and diversification through the provision of investment capital and financing, and to prudently manage portfolios of commercially viable investments.

VISION

As the steward of the Province's portfolio, Investment Saskatchewan will be an acknowledged leader and catalyst for the development of the Saskatchewan economy and a vibrant business community.

MISSION

Investment Saskatchewan's mission is to ensure that opportunities to develop the provincial economy are realized through the availability of investment capital where return is commensurate with risk. We will exercise our fiduciary responsibility for the portfolio through the development of an investment management corporation and a resulting strategic partnership. Through this entity, we will achieve innovative and proactive deal sourcing and structuring and attract new capital to the province while concurrently building the private sector investment management industry in Saskatchewan.

VALUES

The Board of Directors and staff established the corporate values. At Investment Saskatchewan we believe that these values define how we work together, and how we deal with our clients and stakeholders.

These values define behavioural expectations, clarify our obligations and responsibilities, and serve as a benchmark for accountability in everything we do.

Customer Service: We make it easy for our customers, investees, shareholders, stakeholders, and internal colleagues. We go the extra mile to create a smooth experience for people dealing with us.

Honesty and Trust: We are honest, up front and honorable. We are transparent in that we say what we mean and mean what we say. We respect each other and are brave enough to have tough conversations in an appropriate manner. We believe that through trust we will achieve a safe environment conducive to open communications.

Integrity: We do the "right" thing - the "ethical" thing – which earns us the respect of people with whom we deal. We believe that integrity is foundational in business and that its absence will cause people not to deal with us.

Achievement: We understand that "big things" are expected of us and that in order to be a leader we must achieve. Our competence will be evident through our results and in order to "raise the bar" we will continue learning and developing our expertise and keep current with industry trends.

Accountability: We follow through on commitments, report on results achieved, and are held responsible for what we say we will do and what we have done.

Innovation: We believe that innovation is key to getting deals done. Our innovation will be notable in how we source deals in Saskatchewan or deals which could be brought to Saskatchewan; structure deals and achieve win/win results; maximize the returns which can be achieved; and in how we increase the depth of the investment management industry in the province.

Teamwork: The value of working together is greater than the value of working individually. We share information, help and depend on each other which results in better service to our customers and a better work environment.

"From inception to completion, the flexible, innovative and common sense business approach applied by Investment Saskatchewan to the Meadow Lake OSB project played a key role in our success. We are fortunate to have them as partners."

Fundamental Strength

Investment Saskatchewan achieved several milestones in 2004. The first full year of operations required putting in place a full organizational infrastructure and corporate support functions. The newly appointed and independent Board of Directors continued to further establish a governance structure and performance management process to direct the activities of the Corporation forward.

In 2004, staff critical to the success of Investment Saskatchewan were hired, financial systems were put in place, information technology support was contracted, and corporate headquarters moved to a new location.

With board, senior executive and staff input, a five-year Strategic Plan and Business Plan were created. Investment criteria were revised. Investment management alternatives were explored, and new business development strategies were initiated. In addition, the complete creation of a corporate identity for Investment Saskatchewan was undertaken.

On a non-consolidated basis, in 2004 investments provided net income of $19.3 million and a year-end cash position of $168.0 million.

PORTFOLIO RESULTS

On a non-consolidated basis, in 2004, Investment Saskatchewan's investments provided net income of $19.3 million, a year-end cash position of $168.0 million, and an asset base of $629.0 million.

The portfolio return was enhanced by receipt of payments of $154.5 million from HARO Financial Corporation, 20% of which was recognized as interest income, with the balance a reduction of the loan principal. In addition, the corporation received a $9.3 million loan repayment from Mitchell's Gourmet Foods, sold its shares in SGI CANADA Insurance Ltd. for $1.3 million, received $0.7 million repayment from Great Western Brewing Company Ltd., and received proceeds of $1.2 million on the sale of properties.

The majority of consolidated revenue, earnings and assets came from the Corporation's six largest investments. During 2004, these investments faced a number of uncertainties caused by such factors as changes in the U.S./Canadian dollar exchange rates, commodity prices, high natural gas prices, and other challenges.

Despite these economic uncertainties, five of six major investments experienced strong financial results. Meadow Lake OSB Limited Partnership completed its first full year of operations in September 2004. Saskferco Products Inc. had a very strong year, taking full advantage of its efficient operation and strong urea and ammonia prices. HARO Financial Corporation made a substantial loan repayment. Centennial Foods Ltd. remains one of Canada's largest value-added protein producers and food service distributors and recorded high sales in 2004. Big Sky Farms Inc. modern design and production methods helped out-perform its competition in the farrow-to-finish hog production sector. The Investment Saskatchewan results reflect the contribution of the performance of each of these investees.

During 2004, provisions were taken to adjust the carrying value of some investments where there was a decline in value that was not considered temporary. Most notable is Meadow Lake Pulp Limited Partnership (MLPLP), which experienced losses in 2004. Due to the future outlook for pulp prices and the strong Canadian dollar causing uncertainty as to timing of future loan payments, a provision was taken in 2004.

Operating Environment

The Canadian venture capital industry strengthened moderately in 2004. According to Macdonald & Associates Limited, $1.8 billion was disbursed in aggregate, up 6 per cent over 2003. This is the first year-over-year increase in industry-invested capital since 2000.

A key factor to this growth was a 43 per cent increase in activity by U.S.-based and other foreign investors. Non-residents brought $479 million to the Canadian investment scene in 2004. Although investment levels rose slightly, deal activity dropped 9 per cent year-over-year, and new capital commitments also dropped 15 per cent. Also at the national level, Labor Sponsored Venture Capital Companies (LSVCC) and other retail funds experienced a 22 per cent reduction in sales volume.

The private equity and venture capital industry in Saskatchewan is an attractive environment for deals and investment.

Venture capital activity in Western Canada grew in 2004, with $322 million invested, up 37 per cent from the levels recorded in 2003. Unlike trends at the national level, more Western Canadian companies benefited from financing in 2004 when compared to 2003 and Western Canada contributed 18 per cent of the total capital invested in the Canadian market. LSVCC fund-raising activity also bucked the national trend, rising from $126 million a year ago to $149 million in 2004.

Although Saskatchewan is a relative newcomer on the national scene, Investment Saskatchewan and other Saskatchewan-based venture capital companies have created a heightened awareness of our investment capability. In Saskatchewan $28 million in total was disbursed to 17 companies in 2004, up 21 per cent from 2003. The largest focus of this investment was in the life sciences sector. Saskatchewan's total capital under management in 2004 accounted for 2 per cent of the national total.

Although the private equity and venture capital industry in Saskatchewan is relatively small when compared to the national industry, it remains a healthy and attractive environment for additional investment. Investment Saskatchewan continues to have a large influence on the venture capital industry both directly and indirectly through its current diverse portfolio of direct investments, fund-of-funds, and small portfolios.

ECONOMIC ENVIRONMENT

The performance of our portfolio, as well as our ability to find new and profitable investments, is greatly affected by the performance of the global, national and provincial economies.

COMMODITY PRICES

With the exception of some agricultural products, many commodity prices increased in 2004. Energy commodities led the price increases as oil pushed to new highs and natural gas prices remained on an upward trend. Strong year-over-year price increases were also seen in all major metals including a continued rise in the spot price for uranium. Lumber prices leveled off towards the end of 2004, but prices remained higher than in 2003. Pulp prices also rebounded, crossing their 10-year average price for the first time since the middle of 2001.

The fall in agricultural prices was dominated by year-over-year price decreases for wheat, barley and canola. Other agricultural products such as live hogs realized strong price increases.

Year-over-year, the Bank of Canada Commodity Price Index which includes energy, food and industrial materials rose by 20 per cent in 2004, signaling a strong year for most Canadian manufacturing and industrial sectors.

THE RISE OF THE CANADIAN DOLLAR

The dollar's impressive rise struck Saskatchewan's manufacturing and export market relatively hard. The dollar, which started the year at about 78 cents U.S., finished the year at just above 83 cents U.S. Many businesses are still struggling to absorb the impact of the dollar's double digit rise over the past two years. At the end of 2004, financial analysts continue to warn the investment community that the combination of a strong dollar and weakening global demand will have a significant impact on export-dependent firms.

With the exception of some agricultural products, commodity prices, the Canadian dollar and oil and gas prices all increased in 2004.

OIL AND NATURAL GAS

Oil prices on the futures markets struck a record high just above $55 U.S. a barrel in late October. Although expensive energy had a neutral effect on many businesses, long-term higher input costs to business may soon outbalance the benefits being accrued by Western Canada's oil and natural gas corporations. In the final weeks of 2004, oil prices softened to approximately $41 U.S. per barrel, which appears strong enough to satisfy energy producers without crippling consumers.

In the fourth quarter of 2004, Henry Hub natural gas prices averaged $6.87 U.S. per million British thermal units (MMBtu), up 50% from $4.58 U.S. MMBtu in the fourth quarter of 2003. In the same period, commercial natural gas storage prices in Alberta (AECO Hub) averaged $7.39 per thousand cubic feet (Mcf), up 27% from $5.83 per Mcf in 2003.

Our strategy has always been to create value for our shareholders. As a shareholder, Investment Saskatchewan has been supportive of initiatives to be the best fertilizer company in North America through the ongoing expansion of our facility and the diversification of our product offerings.

Fundamental Opportunities

Investment Saskatchewan's capital allocation in 2005 will be directed according to it's renewed focus and mandate. It takes strong fundamentals to grow a company. These strong fundamentals ensure every opportunity is captured to maximize returns from investments while balancing the risk and reward equation. The organization envisions an investment environment where the "no surprises" rule prevails, but recognizes that environment is elusive at best.

The nature of financial investment, and private equity in particular, is to take educated risks while utilizing best efforts and knowledge to mitigate those risks. Not all investments are equal. The challenge our investment professionals accept every day is to make qualified, knowledgeable decisions aimed at producing a financial return for the province.

In addition, we continually review the current state of our investments. Our risk management policies include regular assessment by our investment staff to review the appropriateness of the carrying value of our investments. Based on their review, the Corporation will write down certain investments if management determines an impairment exists to an investment.

Investment Saskatchewan's capital for new investments is directed towards key sectors that drive the Saskatchewan economy.

INVESTMENT FOCUS

Investment Saskatchewan's capital for new investments is directed towards business opportunities in the province. Early stage, start-up, expansion financing, management buyouts, restructuring or turnarounds are various segments that may be attended to by Investment Saskatchewan's direct investments, its fund-of-funds, or through strategic relationships with third-party fund managers.

Currently, Investment Saskatchewan limits its role in the provision of seed capital and smaller investments (less than $3 million) to participation in pools of capital or funds managed by third parties where possible.

Investment Saskatchewan's direct investments are generally targeted to medium and larger projects (greater than approximately $3 million).

TARGET SECTORS

Investment Saskatchewan's target sectors flow from the province's overall economic development strategy.

Investment activity supports Saskatchewan's overall economic development strategy including a focus on the following sectors:

Agri-value and Agri-related

- Food, crop and beverage processing (e.g., frozen food processing, specialty crop processing);
- Meat processing (e.g., pork and poultry processing);
- Nutraceuticals (e.g., health food, "natural" products); and
- Agricultural equipment (e.g., power train equipment).

Advanced Technology

- Agricultural biotechnology (e.g., new seed and bio-inputs, new oils, improved livestock feed, biodegradable plastics, fermentation); and
- Life sciences (e.g., new pharmaceuticals, health research, nanotechnology).

Information Technology

- Electronics and instrumentation (e.g., Canadian Light Source Synchrotron-enabled research and technology); and
- Bio-products and processing (e.g., agriculture and health care enabling technology).

Environmental Technology Commercialization
- Renewable energy technology;
- Ethanol production; and
- Waste management systems.

Forestry
- Engineered wood products;
- Value-added wood fibre processing; and
- Lumber mills.

Resource Extraction
- Minerals extraction and processing.

Energy
- Development, processing, and use of the resource base including heavy oil, natural gas, wind, and solar.

This targeted sector approach, however, does not preclude investments in other industries and sectors if the investment is determined to be commercially viable and meets other strategic objectives.

INVESTMENT POLICY

Investment Saskatchewan invests with a variety of equity and debt instruments in enterprises which will increase economic activity in Saskatchewan. Investment Saskatchewan will employ a variety of equity and debt instruments as follows:

- equity (common and preferred shares);
- near equity (convertible instruments); and
- mezzanine debt (subordinated debt, etc.).

Investment Saskatchewan will consider provision of senior debt in circumstances where appropriate security and debt service capacity exist, and partnerships in senior and subordinated debt syndicates.

In assessing potential projects and managing its existing investments, Investment Saskatchewan will evaluate business plans against the following criteria which we consider to be fundamental for success:

- thorough and complete business plans which yield the conclusion that the business will be commercially viable while providing a return commensurate with risk;
- strong management team with a proven track record and a balance of required skills, experience and competencies;
- sustainable competitive market position as a result of superior products, technology, service or cost advantage with growth prospects;
- expectation of earnings growth based on past track record of solid financial performance or on the strong likelihood of new market success for new or expanding businesses;
- operational practices which ensure compliance with regulatory environment within which the enterprise operates and environmental requirements;

Opportunities come from strong fundamentals: complete business plans; strong management; sustainable market positions; and the expectation of growth.

In addition to an analysis of the business proposal, Investment Saskatchewan enters into investments which:

- are long-term in nature and allow reasonable opportunities for an exit after a holding period appropriate for the stage of investment;
- include commercial terms and will not underwrite, guarantee or backstop private sector investment in an uncommercial manner;
- establish a partnership with and lever third-party investment capital; and
- result in less than majority ownership position.

Fundamental Value

Investment Saskatchewan has invested in and currently manages a number of joint ventures, partnerships, equity investments, fund investments, and direct loans with a book value of over $458 million at December 31, 2004. These investments have been made in companies that generated $274.0 million in consolidated revenues for Investment Saskatchewan in 2004 and net income of $19.3 million.

Investments are spread through a variety of Saskatchewan economic sectors including forestry, fertilizer, manufacturing, processing, agri-business, insurance and financial, bio-technology, and advanced and information technology.

Investment Saskatchewan's complete portfolio can be further segmented into direct investments, fund-of-funds, small portfolios now managed by third parties, and properties (see page 14).

DIRECT INVESTMENTS

Since 1999, Investment Saskatchewan (formerly CIC III) directly invested or committed to eight projects totaling $93.4 million. These investments levered $284.4 million of private sector capital in Saskatchewan. Direct investments consist of equity and debt. The six largest direct investments account for approximately 83 per cent of the total book value of Investment Saskatchewan's portfolio.

The asset book value does not necessarily represent the market value. There are significant constraints on liquidity for many of the portfolio investments that are managed under various terms and related shareholder and partnership agreements.

FUND-OF-FUND INVESTMENTS

Currently Investment Saskatchewan has $51.6 million in commitments to four venture capital funds in Canada. Investment Saskatchewan participates in four funds ranging in size from $10 to $60 million. Total commitments by Investment Saskatchewan have been matched with $148.4 million in private sector commitments.

The bulk of the funds have investment conditions to ensure that every effort is made to direct Investment Saskatchewan's capital to businesses in the province.

SMALL PORTFOLIOS

The management of investments individually less than $3 million in size was outsourced to two Saskatchewan-based, private sector investment fund managers in 2003. They are reported as part of PCF Investments Ltd. and WTC Investments Ltd.

Investment Saskatchewan's decision to outsource these 71 investments valued at $22.9 million at time of outsourcing, was a strategic decision to provide the province's private sector managers with additional investments, thereby strengthening the province's capacity to manage venture capital.

Adv. Tech., Biotech and Pharma 3%
Other (Tourism/Culture, Mining, Real Estate) 7%
Financial/ Insurance 19%
Forestry and Related 27%
Fertilizer 29%
Ag and Ag Related 8%
Manufacturing and Processing 7%

PROPERTIES, CAPITAL ASSETS AND LEASES

In addition to the above defined portfolios, Investment Saskatchewan manages a number of properties inherited from other Crown corporations and departments. These holdings are varied and include properties held for sale, and a small portfolio of lease options.

FOLLOWING IS A BREAKDOWN OF INVESTMENT SASKATCHEWAN'S PORTFOLIO CARRYING VALUES AT DECEMBER 31, 2004:

Direct Investments Accounted for on an Equity Basis ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
Meadow Lake Pulp Limited Partnership	$78.8
Saskferco Products Inc.	136.6
Meadow Lake OSB Limited Partnership	43.9
Centennial Foods Partnership	20.1
Big Sky Farms Inc.	21.6
Investment Saskatchewan Swine Inc.	0.1
CIC Swine Genetics Holdings Inc.	12.6
Saskatchewan Valley Potato Corporation	1.5
Total	**$315.2**

Direct Investments Accounted for on a Cost Basis ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
Premium Brands Inc.	$12.2
Minds Eye Entertainment Ltd.	–
Pangaea Systems Inc.	–
Other Small Investments	0.1
Total	**$12.3**

Fund of Fund Investments ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
Foragen Technologies Limited Partnership	$3.0
Western Life Sciences Venture Fund Limited Partnership	2.8
Prairie Ventures Limited Partnership	10.8
Primaxis Technology Ventures Incorporated	5.0
Total	**$21.6**

Small Portfolio ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
PCF Investments Ltd.	$7.9
WTC Investments Ltd.	7.3
Total	**$15.2**

Debentures, Loans and Other Advances ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
HARO Financial Corporation	$83.4
Canadian Western Bank – Debenture	3.1
Great Western Brewing Company Limited – Debenture	1.0
Miscellaneous Small Loans	2.3
Total	**$89.8**

Properties ($ millions) (Non-consolidated)

	Book Value at Dec. 31/04
Properties Held for Sale	$4.5

Fundamental Perspective

Investment Saskatchewan undertook a number of activities in 2004 to raise its profile and build awareness. A number of industry conferences and tradeshows were sponsored including: the Canadian Venture Capital Association Conference; the Calgary Society of Financial Analysts and Houston Society of Financial Analysts "Investing in Oil and Gas Conference"; The World Meat Congress; the Canadian IT Financing Forum; BioScience Week; BIO2004; and the Steven Covey Leadership Conference.

In addition to industry awareness, Investment Saskatchewan sponsored a number of community events and activities in Saskatchewan including the Saskatchewan Chamber of Commerce's ABEX Awards, the Aboriginal Government Employees Network, the 10th Annual First Nations Award Ceremony, the Canadian Light Source Opening Gala, the Globe Theatre, and the United Way of Regina.

Investment Saskatchewan's fundamental value is built on a strong asset base, sound management, and growing awareness in the industry.

Investment Saskatchewan was also pleased to convene the 2nd Annual Investment Future Forum in Regina. During the two-day event, over 200 people attended and 16 companies presented their business proposals to over 20 investor companies.

The Investment Future Forum brought together some of Canada's top speakers, venture capital companies, financial institutions and entrepreneurs. Some highlights of the 2004 Forum included:

- an Investee Boot Camp conducted by Deloitte & Touche with select growth companies to help them prepare for and target appropriate sources of capital at the event;
- an Angel Investors Network Session where interested organizations and individuals discussed "Building Businesses of the Future" in an open forum;
- presentations from Blair Richardson, President and CEO of Bow River Capital Partners, Denver CO; Ilse Treurnicht, President & CEO Primaxis Technology Ventures Inc.; and Dr. Paul Guild, Vice-President of University Research, University of Waterloo; and
- a luncheon presentation by Deirdre McMurdy, co-host of Global TV's Money Wise and Tony Wilson-Smith, Maclean's Editor and Director of On-line Media for Maclean Hunter.

The event, co-sponsored by Saskatchewan Industry and Resources, was well received by investors and investees and provided a rare opportunity for private and public networking.

Corporate Officers

Janet Wightman

Chief Executive Officer

Janet Wightman was appointed President and Chief Executive Officer of Investment Saskatchewan on May 1, 2004. Prior to joining Investment Saskatchewan, Ms. Wightman was the Executive Vice-President and Chief Operating Officer with Farm Credit Canada (FCC). In that role, she was accountable for all operational divisions within FCC including an overall portfolio of $10 billion and annual disbursements of approximately $3 billion. She was also responsible for establishing two new businesses with FCC - FCC Ventures and Business Services.

Previously, Ms. Wightman was Vice-President of Agribusiness and Eastern Operations with Farm Credit and VP, Human Resources, Administration and Business Processes.

Prior to moving to Saskatchewan and joining FCC, Ms. Wightman was the Director, Resource Management with the Grain Transportation Agency in Winnipeg.

Ms. Wightman is a member of the Board of Governors of the Canadian Unity Council and a past director of SaskPower Corporation.

Laurie Powers

Chief Financial Officer

Laurie Powers was appointed Chief Financial Officer of Investment Saskatchewan in September 2004. Prior to joining Investment Saskatchewan Ms. Powers was the Chief Financial Officer with Information Services Corporation of Saskatchewan (ISC) for four and one-half years. As one of the four chief officers of ISC, she was responsible for providing strategic organizational leadership and stewardship for ISC during the organization's first five years of existence, focusing on areas of financial operations and financial strategies.

Previously, Ms. Powers was Vice-President of Finance with National Alfalfa and Executive Manager, Finance with Saskatchewan Crop Insurance Corporation.

Prior to joining Saskatchewan Crop Insurance Corporation, Ms. Powers articled for her Chartered Accountants designation with Deloitte and Touche in Saskatoon.

Board of Directors

Sitting (left to right): Anne Parker, Director; Gordon Tallman, Director; Ray McKay, Director.
Standing (left to right): Don Black, Director; Don Wilson, Corporate Secretary; Susan Milburn, Vice-Chair; R.T. (Bob) Reid, Director; Neil Henneberg, Board Secretary; Paul Martin, Director; Maurice Delage, Chair.

The current structure and composition of the Investment Saskatchewan Board of Directors was initiated in 2003. The Board is composed of eight directors.

The Board of Directors is responsible for establishing the overall strategic direction for the organization and ensuring the strategy becomes operationalized through the organization's business plans. It has the authority and obligation to protect and enhance the assets of the Corporation in the interests of the shareholder and carries out this responsibility in an active manner.

Investment Saskatchewan uses an Annual Performance Management model that starts with the Board of Directors and establishment of the organizational strategy. The model includes involvement of management and all employees which results in a Strategic Plan. The Corporation has established a Balanced Scorecard which is the framework used to set objectives, measure and evaluate its overall business performance.

The Board is responsible for the stewardship of the Corporation. In fulfilling its stewardship responsibilities, the principal duties of the Board are to:

- set the long-term strategic direction of the Corporation, approve annual plans and performance targets, and monitor the Corporation's performance against plan;
- ensure compliance with the Corporation's statutory responsibilities;
- identify with management the risks to the Corporation and set policies and procedures to manage those risks;
- ensure the integrity of the Corporation's internal controls and financial systems;
- review the performance of the CEO, and ensure that succession plans are in place; and
- adopt policies for effective communications with the shareholder, stakeholders, and the public.

Board of Directors

Maurice Delage
Regina, Saskatchewan

Mr. Delage is Chair of the Board of Directors of Investment Saskatchewan. He is the former President and Chief Executive Officer of Aventis Crop Science in North America, a global agri-business company focused on high technology crop protection, animal health, seeds and biotechnology. As a member of the global management boards of Aventis, AgrEvo, Hoechst Celenese, and Hoechst Canada, his emphasis was on capital investment, business development, strategic planning, mergers and acquisitions. Mr. Delage retired from Aventis in 2001.

Susan Milburn
Saskatoon, Saskatchewan

Ms. Milburn is Vice-Chair of the Board of Directors. Currently Saskatchewan Vice-President of Raymond James Ltd., a full-service investment dealer, she had previously worked with the predecessor firms of Midland Walwyn and RBC Dominion Securities. She is Chair of the Investment Dealers Association-Saskatchewan Chapter, past Chair of the Board of SaskEnergy and past member of the Board of SaskPower. As well, Ms. Milburn has affiliations with the Saskatoon Economic Development Board, Saskatoon Community Bond Corporation, and Crown Life Pension Plan as an independent trustee.

Donald W. Black CM
Regina, Saskatchewan

Mr. Black is the Chief Executive Officer of Greystone Managed Investments Inc., an independent investment-counseling firm. He has nearly 40 years of experience in investment and finance, the majority of which is at senior management and strategic direction levels. Mr. Black has been a director of a number of public and private companies and currently is a board member of TGS North American Real Estate Trust; a director and Chair of the Canadian Scholarship Trust Foundation; and is a public director of the Investment Dealers Association of Canada. In addition, he is the former Chair, Farm Credit Corporation Board of Directors and has served on the boards of numerous charities and community organizations. Mr. Black was appointed a Member of the Order of Canada in 2002; and, in 2003 was awarded the Queen Elizabeth II Golden Jubilee Medal.

Paul Martin
Regina, Saskatchewan

Mr. Martin is President, Paul Martin Communications Ltd. He is Chair of the Regina Regional Economic Development Authority and is an active member of the business media in Saskatchewan. Specializing in coverage of business and politics, his journalism career has spanned radio, television and print media. Mr. Martin is a director of Big Sky Farms Inc.

Board of Directors

Raymond A. (Ray) McKay
La Ronge, Saskatchewan

Mr. McKay is Chief Executive Officer of Kitsaki Management Limited Partnership and a member of the Lac La Ronge Indian Band. Kitsaki is a Lac La Ronge Indian Band-owned company that manages a diverse portfolio of active business investment interests in trucking, mining, catering, hotels, meat processing, wild rice and environmental monitoring. Previously he held senior positions in the public sector where he was key in developing important strategies for northern affairs and development.

Anne Parker
Regina, Saskatchewan

Ms. Parker is the Executive Director of Communities of Tomorrow Partners for Sustainability Inc., a multi-million dollar community development and research investment entity. Previously, she held progressively senior positions with IPSCO Inc., most recently as Vice President of Trade Policy and Communications. In her 15 years with IPSCO she also served as legal counsel and Director Corporate Communications. Ms. Parker has completed the Canadian Securities Course and is on the Board of Governors of the Canadian Unity Council and on numerous community and charitable organizations.

R.T. (Bob) Reid
Vancouver, British Columbia

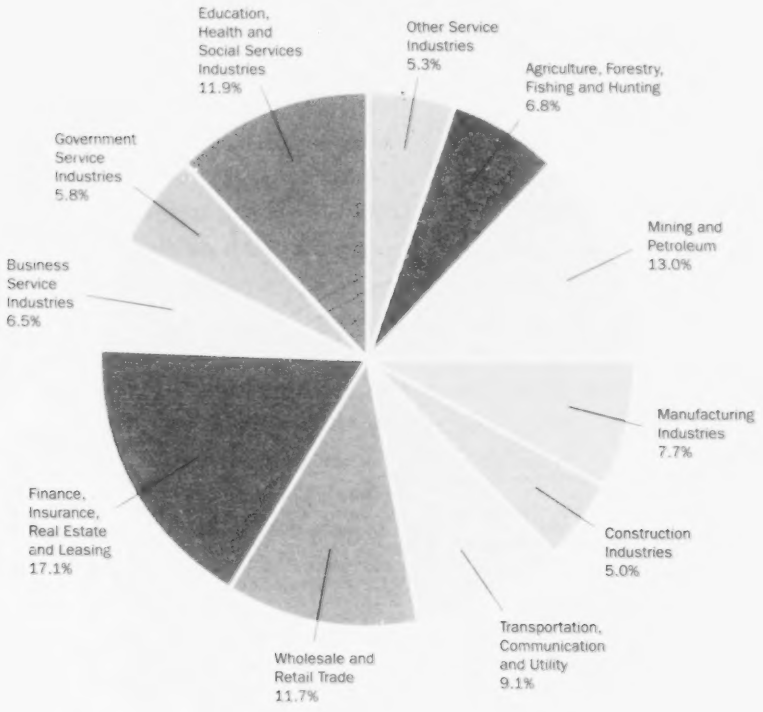
Mr. Reid is a Corporate Director and Chair of B.C. Transmission Corporation. He held positions as President of Duke Energy Gas Transmission's Canadian operations, Executive Vice President and Chief Operating Officer, Westcoast Energy Inc. and President and Chief Executive Officer of Union Gas. Prior to joining Westcoast, Mr. Reid held senior executive positions in both government service and the natural gas industry including with Pan-Alberta Gas, Foothills Pipe Lines Limited, Sceptre Resources, and the Independent Petroleum Association of Canada. He is a board member of Greystone Capital Management Inc. and the Canadian Education Centre Network; former board member of Cameco Corporation, Rigel Energy, and the Canada Life Assurance Company; and former Chair of the Canadian Gas Association and the Ontario Energy Association. Mr. Reid is a life-member of the Canadian Gas Association.

Gordon G. Tallman
Calgary, Alberta

Mr. Tallman retired as the Senior Vice President, Royal Bank, Prairies Region, after a banking career spanning 42 years. He is a member of the Boards of Directors/Trustees of Big Rock Brewery Income Trust, Canadian Utilities Ltd., ECL Group of Companies Ltd., PFB Corporation, Chair of the Board of CV Technologies Inc., and Chair of the Board of Trustees of Enbridge Income Fund. Mr. Tallman is also currently Chair of the Mount Royal College Foundation and serves on a number of other community organizations.

Economic Overview

SASKATCHEWAN 2003 REAL GROSS DOMESTIC PRODUCT, AT BASIC PRICES, BY INDUSTRY.


Education, Health and Social Services Industries 11.9%
Other Service Industries 5.3%
Agriculture, Forestry, Fishing and Hunting 6.8%
Government Service Industries 5.8%
Mining and Petroleum 13.0%
Business Service Industries 6.5%
Manufacturing Industries 7.7%
Finance, Insurance, Real Estate and Leasing 17.1%
Construction Industries 5.0%
Transportation, Communication and Utility 9.1%
Wholesale and Retail Trade 11.7%

ECONOMIC OVERVIEW

According to Statistics Canada's revised estimates, Saskatchewan's Gross Domestic Product (GDP), inflation adjusted, stood at $32 billion in 2003. In the last decade (from 1994 to 2003), Saskatchewan's real GDP grew, on average, at a rate of 2.2 per cent annually.

Over the 1994-2003 period, Saskatchewan's real GDP per capita increased at an annual rate of 2.3 per cent and Saskatchewan's productivity (real GDP per employed person) was tied at third highest among the 10 provinces (1.4 per cent a year).

NOTES:

Business services industries include: information and cultural industries, professional, scientific, technical, administrative and support services.

Other service industries include: arts, entertainment and recreation industries, and accommodations and food services industries.

Source: Statistics Canada, Preliminary Provincial GDP by Industry, Catalogue No. 15-203-XIB or CANSIM table 379-0025.

CURRENT PORTFOLIO

Big Sky Farms Inc.

CANADIAN WESTERN BANK
Think Western®

Centennial

Great Western Brewing Company
Proudly Western, Truly Great

HARO
Financial Corporation

Hypor
THE WORLD'S LOCAL BREEDER

MEADOW LAKE OSB

MILLAR WESTERN
Millar Western Pulp (Meadow Lake) Ltd.

MINDS·EYE
ENTERTAINMENT

Pangaea

B
Premium Brands Inc

Saskferco

foragen

PRAIRIE VENTURES FUND

PRIMAXIS

W·L·S

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